

ROSCAS, POVERTY ALLEVIATION AND ECONOMIC DEVELOPMENT:  
A CASE STUDY OF JAMAICAN PAADNER GROUPS

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## ABSTRACT

This research explores how cultural configurations as well as state policies impact grassroots development efforts employed by Jamaicans, by focussing on an informal credit structure's response- paadners- to the economic effects of the state's structural adjustment policies.

The Jamaican society shares a number of the same socio-economic characteristics of many Caribbean nations which have been, in large part, peopled by unpaid laborers of African descent. The history of the relationship between the European owners and managers of capital and these unpaid laborers has led over time to the parallel development of two socio-economic systems in the Jamaican society.

Accordingly, one system is strongly influenced by West African beliefs and practices and is considered as the informal sector. While the other, which is the official order, is founded upon Western neo-classical theories and approaches and is referred to as a formal market system.

Paadners is an informal financial device (a revolving savings and credit mechanism) that has been historically intimately associated with women in their capacity as traders/higglers. Nevertheless, currently its application is utilized by a wide-cross section of low-wage and informal occupational groups in Jamaica as a means of poverty alleviation and business investment. This institution, like so many others with an African connotation, was always disparaged by the Jamaican elites and middle-class population. However, under the current economic environment to circumvent the financial constraints resulting from stringent economic policies, members of Jamaica's middle-class have resorted to forming these groups. The successful application of paadner receipts by the lower-classes to commercial endeavors have also led to an alteration of the social composition of the middle class. The Jamaican government reliance on external funding to maintain fiscal equilibrium and to support economic development has resulted in a relatively huge debt problem. The development of a national policy which incorporates the resources of the informal financial market - of which paadners

is an important element- in an economic development plan could in the long-run assist the state in reducing its debt and dependency on foreign credit. Paadners' potential as a vehicle for economic development is explored in this thesis. How paadners act as an agent for poverty alleviation within the society, the mode and history of the institution. and the changes in the composition and usages of this system that can be attributed to structural adjustment are also examined.

This research proves that people adopt alternative strategies when the formal system's structures don't meet their expectations. And its also discloses the reasons why the informal market expands when formal credit institutions' interest rates escalate. Another related finding is that existence of paadners illustrates the buoyancy of the social resources of the lower-income or disenfranchised populations in the face of deprivation. And paadners has the potential to play a pivotal role in the development of a self-sustaining economic structure. This research should be of importance to policy-makers that operate in dual or hybrid economies, such as those that exist in Jamaica. It also indicates that the World Bank and IMF should develop more effective policies that would generate outcomes which actually lead to the expansion of the production sector (with local ownership) in these economies rather than focussing all of their efforts on a monetarist approach to balance these economies.

Thesis Supervisor: Richard Schramm

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## LIST OF TERMS

Callaloo: A Jamaican term for spinach.

Conditionalities: Prescriptive economic measures that are imposed on a borrowing country by international credit institutions. These measures usually are based on neo-classical economic principles.

Continental: A term which is being used to describe rotating savings and credit groups found on the continent of Africa.

Diasporan: A term which describes the spread of ROSCAs throughout the dispersed African populations in the western hemisphere.

Draw: A term used by paadner group members to describe the cumulative amount of money that is being dispensed as saving or as a loan.

Esusu: An African ROSCA found on the west coast of Africa.

Hand: A term which is used by throw paadner groups to describe how many inputs and draws are associated with a particular group.

Higglers: Informal vendors, usually female.

Higglering: Vending in the informal marketplace.

NGOs: Non-government organizations, which are usually non-profit and involved in social service provision.

Paadner: A Jamaican variant of esusu. Also known as throw paadners.

Pak Choy: A Chinese vegetable.

Roast: Moonlighting. A part-time employment - usually an under-the-table job.

ROSCA: Revolving savings and credit association. An informal and simple form of financial mobilization.

Throw: A term used by paadner groups to describe the incremental contribution a member is required to make.

**Structural Adjustment:** A policy imposed by the World Bank to modify the economic framework of a country to fit a neo-classical economic mode of operation.

**Unpaid Laborers:** A term that is being used to describe in real terms the African people who were forced into laboring for the benefit of an alien culture. aka slaves.



## INTRODUCTION

The Jamaica economy is characterized by economic constraints found in most of the previously non-self governing territories in the Caribbean. A heavy reliance on imported goods, a narrow tax base, skewed income distribution, the imposition of structural adjustment conditionalities and a low level of domestic savings are just a few of the obstacles obstructing economic development efforts in Jamaica that are listed by economists.

The resources of informal financial sector has been largely ignored by the state and its agents when formulating development strategies. However, as evidenced by the volume of transactions occurring in the informal financial sector, there is a strong propensity to save within the popular culture that hasn't been captured by the formal financial institutions and commercial dynamism in providing goods and services to consumers who are often ill-served or merely by-passed by the formal economy.

The prevalence of the black market informal sector in some of the region's economies has reached a stage where in at least two territories (Guyana and Jamaica) it at least accounts for a substantial share of employment, importation of basic goods, **ownership of financial assets**, "illegal " imports and earnings of foreign exchange.<sup>1</sup>

Paadner groups are a permanent fixture in the Jamaican informal economy. The bulk of the resources from these rotating savings and credit associations are applied to the consumption of imported durable goods, home and/or land purchases, or invested in micro-enterprises that typically use imported inputs.

The estimated penetration level of this system in the Jamaican population ranges from 10% to 40% depending upon the source of information. Certain occupational groups like bus conductors, higglers, and school teachers, have a higher estimated participation level. In the case of higglers anywhere from 75% to 95% belong to paadners during the course of a year, according to local experts.

One small paadner group's total annual inflow of cash was \$360,000; if you multiply that figure by the number of groups that exist in Jamaica the product will give an idea of the magnitude of cash transactions occurring in this sector. Karen Williams estimates, there are a minimum of 50,000 groups operating during the course of a year. Nevertheless, this institution's economic impact hasn't been explored thus far. In fact, there has only been one formal qualitative investigation of these groups as they exist, in Jamaica, that was conducted in 1959 which was presented in a four page paper. One quantitative study which consisted of 1987 survey of 677 low-income households in the Kingston Metropolitan area which was conducted by the Construction Resource and Development Centre to investigate the savings habits of the poor. There is a dearth of literature that comprehensively examines this practice and its interplay with Jamaica's formal economy.

This thesis will explore the role of ROSCAs in poverty alleviation and economic development using Jamaica and its paadner groups as a case study. The thesis asks how paadner groups operate, how they have changed as a result of structural adjustment policies(SAP) that have been implemented in Jamaica, how they

may have softened the impact of and how they might be used to support economic development policies in Jamaica.

## **A. Objectives**

The objective of this thesis is to describe and define paadner groups in Jamaica, explore the potential of the state harnessing their receipts to productive investments, and analyze its poverty alleviation effects and the changes in its usages and compositions which can be attributed to Jamaica's recent structural adjustment policies. This exercise will hopefully serve three purposes;

1. Provide insight on how paadners interfaces with the structural adjustment policies.
2. Educate planners, policy-makers and other interested parties about the particulars of this institution.
3. Encourage further research on the role of this institution.

The first objective is to provide insight on how an informal credit structure, paadners, interfaces with the structural adjustment policies of the Jamaican government, by examining the interplay of paadner receipts with the formal economy.

The Jamaican economy has been under the throes of structural adjustment policies imposed by the International Monetary Fund's (IMF), since 1977, to address the foreign debt problem.

In 1981, when Michael Manley left office as Jamaica's Prime Minister, Jamaica's debt to foreign sources amounted to \$ 69 million. During his successor's [Edward Seaga]

which lasted from 1981 to 1984 more than US\$1200 million was borrowed from foreign sources. As of 1989, the Jamaican government and its people owe \$1039.9 million to foreign agencies. During the fiscal year, 1989-1990, debt servicing accounted for more than 40 per cent of the government's expenditures. The bulk of this debt is owed to the IMF. The structural adjustment program which was designed largely by foreign creditors, is enforced by a number of measures - the potent being the required meeting of conditionalities.

The intent of these conditionalities - which have been imposed by the foreign credit institutions, in order to, allow Jamaica continued access to credit from these sources - is to compel the Jamaican state to operate within a balance budget and repay its foreign debt.

These conditionalities have lead to;

- \* the down-sizing of the public sector - which has displaced thousands of government workers;
- \* severe cutbacks in social service expenditures - which has negatively impacted the quality of health care and education and the availability of affordable housing;
- \* the devaluation of the Jamaican currency - whose exchange rate went from \$5 Jamaican to \$1 US to \$30 Jamaican for \$1 US, in 1992; and
- \* The removal of price controls- which has caused the inflation rate to rise in real terms beyond 90%.

One major outcome of these macro-economic policies has been stagflation - a decline in output and an increase in inflation. Thereby, the structural adjustment program (SAP), advocated by the IMF, has had a punitive effect on the income of the majority of Jamaica's citizens.

Consequently, the education system and the housing supply have deteriorated and the health care available to the poor is insufficient.<sup>2</sup> The devaluation of the dollar has diminished the buying power of a middle-class that has relied on salary for income and the purchase of goods.

The cost of credit has been prohibitive to the business sector, as well as the rest of the Jamaican society, because of the constant devaluation of the currency and the interest rates which fluctuates between 28 and 55 per cent.

Paadners ( which is the oldest and simplest form of capital formation in Jamaica) has been a mechanism, which was exclusively used by lower-income Jamaicans, primarily women, to resolve their personal or commercial cash flow needs. However, to circumvent the financial and social constraints resulting from these stringent economic policies, members of Jamaica's middle-classes have resorted to forming these groups. This phenomenon validates Schrieder and Cuevas' observation that: Individuals with a common objective or problem seek to join together when unorganized or individual action seems insufficient to further the individual's interest.<sup>3</sup>

A second objective of this thesis is to educate planners, policy-makers and other interested parties about the particulars of an institution, which is deeply rooted in Jamaica's popular culture, and its operational mode - in order to give a deeper understanding of the credit consumption style and the saving patterns of its users and to help planners develop more informed economic development policies and strategies;

Eight years ago, I became intrigued by livelihood strategies employed by individuals that lived in the Caribbean. This interest was stimulated by observations

made while dwelling on small Caribbean island( Montserrat). What I noticed was a number of households that resided in shanties, possessed a large number of expensive items, such as large color televisions, multiple cars, expensive electronic goods, ect. - in an economy where jobs were few and far between and where the prices of goods of this sort were inflated.

What I found was that some goods were purchased using money that came from remittances from relatives off island, but a greater proportion of goods were purchased through the use of an informal financial instrument - a form of esusu.

I attempted to read about this Caribbean informal mechanism but found next to nothing written about this institution; which apparently is an important element in the livelihood strategies employed by people living in this region.

Since this is an informal activity, Caribbean policy-makers tend to negate, ignore or overlook its relevance to domestic economies. Its existence also refutes the perception that the impulse to save is limited and domestic savings are low in the Caribbean. This perception only rings true when evaluating the popular use of formal banking mechanisms.

Knowledge of ROSCAs is essential to understanding the consumption saving habits and investment of populations in this region, and to developing policies to promote savings and investment.

Jamaica was chosen as a venue for this research because these groups are prolific in this society. Consequently, getting people to talk about them is easier than

on the smaller islands, such as Montserrat. Where their operations are more hidden, and the people more conservative - and therefore reluctant to talk about their finances.

This information should be of importance to policy makers that operate in dual economies - such as those found in Jamaica, since paadner activities should be considered as one measure of the resources which exist in the informal market.

A final objective of this thesis is to encourage further research on the role of this institution in the Jamaican society and its potential to be channeled into capital formation investments.

As I previously mentioned, the literature on these groups as they exist in the Caribbean is almost non-existent. I was only able to locate one four page paper about these groups in Jamaica and a few informal reports done by NGOs. In regards to the rest of the Caribbean, Leguerre has briefly examined these groups in Haiti and Martinique.<sup>4</sup>

In 1959 Katzin alluded to the potential of using these groups as a component of economic development in Jamaica. A number of NGOs are beginning to look at this institution as a means of capital formation. This thesis will hopefully stimulate more investigations of this nature and provide a foundation for continuing research into the relevance of these groups in Jamaica as vehicle for economic development.

## Methodology

The central thesis question that this research attempts to answer is; What role does the throw paadner system play in the alleviation of poverty and economic development in Jamaica and how is this role changing as a result of the imposition of structural adjustment conditionalities? In order to answer this question other questions must be considered such as :

- What are the current usages of paadner groups ?
- How do these usages affect poverty alleviation?
- What are the conditions which allow these investments to occur?
- What are the obstacles?
- How does the state perceive its operation?
- How do the groups perceive the state?
- What is its societal role?
- What is the current economic environment?
- How does this environment affect the groups?
- How do these conditions affect paadner groups?
- How do paadner groups ameliorate the conditions?

In order to address these questions, this exploratory research attempts to define and describe the throw paadners system and its current usages and compositions and review Jamaica's current economic environment.

The aforementioned exercise will be conducted by providing, an analysis of the current socio-economic environment in Jamaica, a descriptive analysis of the different manifestations of the groups - both the Jamaican model and its West African counterpart, and through the offering of examples of innovative strategies that channel the consumption and savings patterns of the groups into productive



activities.

The research design is based on the collection and analysis of anecdotal (through interviews), qualitative data; the examining of quantitative data provided through secondary sources; and a review of four streams of literature - sociological, structural adjustment and historical experiences in Jamaica, and ROSCAs (African and Caribbean). Other data sources include Jamaican local newspapers and journals.

The rationale for this approach is that this institution, paadners, is an informal activity that has been under-observed and under-reported. As suggested by Feige, when researching underground activities:

Any research strategy must be sufficiently broad to encompass available evidence from different sources and obtained by different procedures.<sup>5</sup>

In addition, this approach was necessitated by the scope of the research which includes the review of the formal sector - the current economic and social environment is being analyzed.

Nonetheless, the research approach is heavily reliant upon anecdotal evidence (culled from interviews) when examining the throw paadner system because of the limitation of available literature.

... has determined that using anecdotal information is a valuable process when trying to collect information about informal activities; there is the large and suggestive body of anecdotal information that is not easy to analyze by the systematic procedures of modern quantitative methods. Such "institutional" information is highly relevant as a qualitative guide to both frequency and nature of the phenomenon under investigation. Anecdotal information provides a necessary starting point for inquiry. It serves to raise many key questions and points the research in specific

directions concerning both the sources and processes involved in unobserved economic activities."<sup>6</sup>

I conducted my exploratory field research over a four week period in Kingston, the capital city of Jamaica. The approach I took to accumulate this data was based on a logic tree design described to me by a politician - which consisted of asking one person about the institution and they in turn referring me to other individuals who were acquainted with this system. Eventually, I didn't have to ask; when people found out what I was researching they voiced their opinions.

However, I did have a set of questions that I posed to everyone interviewed. One somewhat troublesome aspect of this research was the request for anonymity by my informants. The reason this request was made is explained in Chapter I, under the subtitle, The Need to be Covert. Nevertheless list of the occupations of the people interviewed is given in the appendix along with a list of names and occupations of those people I contacted that did not request anonymity.

I also found it necessary to look at the history of this construct in order to determine how deeply embedded it was in the society - which has implications for its future applications. As Wendell Bell acknowledged;

...the conception of the future and the past is interpenetrating each other - the explicit recognition of the interdependent relationship between directions of past change and aspirations for future.<sup>7</sup>

In order to achieve this exercise, an examination of the African counter-part of paadners's literature was conducted as well as a review of relevant African historical

literature. Looking at these two bodies of literature also supplemented the anecdotal information regarding the mindset behind the use of the paadner system and its operational configurations.

The analysis of the Jamaican economy and its social structures was accomplished by extracting both qualitative and quantitative data from secondary sources, newspapers, magazines, and the academic literature as well as through the interviewing process.

The thesis proceeds as follows.

Chapter one gives a generic overview of the origin, operational modes and the user attitudes and preferences.

Chapter Two examines the Jamaican paadner groups and provides profiles of the variant groups.

Chapter Three examines the sociological and the economic framework and experiences of this nation.

Chapter Four analyzes the economic implications of paadner's current uses and explores the potential of this system as an vehicle for economic development.

## Chapter I. ROSCAs: The African and Jamaican Variants

This chapter will describe the operational features and the user attitudes associated with the African esusu and Jamaican paadner systems which are forms of revolving savings and credit associations.

### A. Definition

**Esusu** is a financial instrument, found throughout the African continent and its diaspora, which serves as both a borrowing and savings vehicle for groups of like-minded people. Like most traditional institutions, it is considered an informal activity in the sense that it provides a direct, efficient service without formal trappings, i.e. "without ceremony".<sup>8</sup>

Ardener provides a simple definition of this practice:

An association formed upon a core of participants, who agree to make regular contributions to a fund which is given in whole or in part to each contributor in rotation.<sup>9</sup>

For example, there are twelve people who need to have \$1200. each for an expense. These individuals would contribute each \$100 per month for 12 consecutive months. Following a prearranged schedule 1 member would receive the \$1200 pool each month until the 12 month period ended. Every member would have contributed a total of \$1200. on a incremental basis during the 12 month period. Those receiving the pool before the 12th month would ,in essence, have received their savings up to that month and a loan covering the remaining months. The last person to receive the pool would have used the system solely as a savings device. Esusu operates as a

credit association for the individuals who receive draws during the first half of the cycle. In real terms, these individuals receive interest-free loans. Nevertheless, there are scenarios where either an explicit or implicit interest rate is charged to all of the participants.

The paadner system is the Jamaican version of this system which was transmitted to this society by Africans who were brought to this country as unpaid laborers. (see exhibit A)

## **B. Characteristics**

Chimedza noted in Zimbabwe that, there were two very important characteristics associated with these groups, that are shared by many groups in other countries.<sup>10</sup>

The first and most outstanding characteristic of this system is that it involves " **planned savings** ". A concept in which money is often designated for a particular purpose by the individual participants often before a group is formed.<sup>11</sup> As Michel Leguerre observed when investigating these groups in Haiti, " There is always an economic need when someone decides to open a *sangue* [esusu]."<sup>12</sup> For example, an individual who needs to save for a downpayment on a house or land or has a large expense that is due on a particular day will join a group whose cycle would allow her to build the required savings needed to meet these expenses and ask for payment position during the period the outlay must be met.

A Jamaican domestic worker in an interview validated Chimedza's

observation, by stating, " Paadners [esusu] allow [allows] plans to be made. "

This same woman, who has been a member of a number of groups for 10 years, describes this type of savings pattern as " self-denial."

Participants use their esusu receipts for a variety of purposes such as to start a new business ( in fact, this is the most preferred usage,); to save a business from bankruptcy,;to enlarge a business ; to pay school fees; buy books & uniforms; purchase furniture or appliances; downpayment on a house or land; to finance farming; or to purchase transportation <sup>13</sup>

The second important characteristic of these groups is most users feel **morally obliged** to pay into their groups after meeting their basic needs - but before other expenditures. Everyone I spoke with asked me to emphasize the morality associated with this practice. This moral obligation translates to the consideration of this practice as compulsory savings. Morality enters into this system because there really isn't any documented rules on conduct, everyone knows what their obligations are in this system. This principle also has its roots in the origin of this practice, in the **traditional African culture morality plays a large role in every social function.** For most people making their payments on time is a matter of honor and concern for the welfare of the other participants prevents the participants from absconding with the funds or defaulting on their payments. A recent article in the Jamaican Sunday Gleaner <sup>14</sup> gave an example of this social imperative by spotlighting a rural underemployed woman, who was impoverished and had adopted three abandoned

young boys. This woman, whose only income was earned from selling in the marketplace ( higgling) every Saturday, described her income usage;

Right now I am in three paadners - two for \$50.00 and \$20.00 - during the week I have to treat meat kind to cook good meal for the children. Therefore, on a Saturday when I have sold my goods at the market, pay my partner and my shop bill I end up coming home without a cent.

This woman's attitude epitomizes the level of moral import affiliated with meeting the obligations to this form of association. The moral impetus to meet this obligation appears to be a constant factor in the operation of paadners. When Margaret Katzin investigated these associations in 1959, the same type of sincerity was expressed by one of her informants.

Whether the market good or bad you have to find that money. It is essential like rent money. If the banker is nice, you can talk to her and she will give you time. But the next week, you know it will be heavier, so you have to be careful. We are only concerned about the banker. We don't know the other people.<sup>15</sup>

This moral dedication and pragmatism assists in the lowering of risks inherent in these operations. One elderly Jamaican woman, who had been a banker for more than thirty years, had only two people during that period abscond with the funds. The focus of this fealty in the African ( continental system) is to the group itself, rather than to one individual.

Of course, due to the selection criteria - which includes the holding of a responsible reputation and residing in a permanent location - esusu/paadner's

engages in a form of "creaming" - the siphoning off of the most responsible individuals as patrons.

The need to have a constant inflow of money in order to sustain these groups is obvious. Therefore the risk management approach is very key factor in the ensurance of viability of these associations.

In the continental system and in a few Caribbean associations - an example being Haiti's *sangue*, the group as a consensual agent takes on the responsibility of managing repayment; while the diasporan system used in Jamaica, the banker has this obligation.<sup>16</sup> Katzin 's research noted this leaning;

The banker has the responsibility of seeking out any throwers who do not come to him voluntarily and collecting the throw.<sup>17</sup>

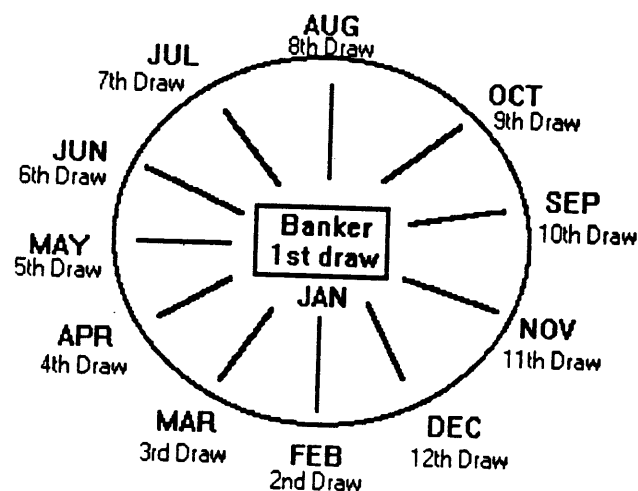


Exhibit 1: A Paadner Group with a Twelve Month Cycle



## 1.1 Historical Roots

The African variant of the revolving credit and savings system is referred to as, *esusu/osusu* in Nigeria, Liberia, Gambia, and Martinique; *shaloonga* in Somalia; *ajonou* in Benin; *njangis* in Cameroon; *temo* in Zaire; *paadners* in Jamaica; *sangue* in Haiti and *box* in Barbados - each region where it is practiced has its own term for this system. In fact, parallel systems can be found all over the developing world. It is necessary to understand's mindset of these societies toward this institution, in order to determine its societal value and the extent and quality of its usages. In other words, the society's viewpoint will illustrate how deeply ingrained this type of savings pattern is in the social fabric.

One method of assessing this variable is by putting the practice of this institution into an historical context. The prevailing view of how these systems originated is summed up by Oscar Lewis:

Many of the traits of the subculture of poverty can be viewed as attempts at local solutions for problems not met by existing institutions and agencies.... For example, unable to obtain credit from banks they are thrown upon their own resources and organize informal credit devices without interest.<sup>18</sup>

It is very unlikely that these relatively identical configurations spread haphazardly as a result of poverty and the resourcefulness of its victims.

This superficial notion, which is shared by a number of researchers investigating this practice, is insufficient to explain the prevalence and the shared

characteristics of ROSCAs throughout the developing world.

One strong argument against Lewis's explanation is many middle-class and rich individuals in the developing world also engage in this practice - sometimes in partnership with their poorer brethren/sistren. Therefore esusu is not a practice that is exclusively engaged in by poor people or a part of the " subculture of poverty." A more plausible theory, which would account for its distribution, is that esusu is a remnant of a body of pre-colonial financial practices or services that were employed in the highly efficient network of international trade ( amongst what is now referred to as the developing world) - which was administered primarily by Muslims, prior to the 10th century.

During this period, India, Korea, China, and other Asian countries as well as African countries , areas where this practice is utilized, have participated in commercial relations with each other with Muslim foreign trading agents frequently setting up permanent commercial representation in many of these countries.<sup>19</sup>

By the 8th century, the most outstanding feature of this trade was, the progressive monetization of the regional economies.... While the Mahgribian monetary system was linked to that of the Muslim world( which was based on the gold dinar), a wide range of currencies existed in other parts of the continent: various kinds of shells, including cowries..., copper rings, bars of salt, and pieces of fabric were used concurrently for trading purposes.<sup>20</sup>

Muslim merchants in Africa used,

drafts, bills of exchange and promises to pay (shakk or cheque). ... At that time tradesmen engaged in trans-Saharan enterprises set up a

highly efficient network organized either on a family basis or on the basis of joint stock companies with correspondents in all the important places.<sup>21</sup>

This level of sophistication and extent of trade would have allowed the transmission of this system to have occurred.<sup>22</sup>

Bascom found that trade in most sub-Saharan local venues is conducted primarily by women - while long-distance trade is the domain of men.<sup>23</sup>

Accordingly, responsibility of women in this system is very pronounced in the Ba-Kongo society (as it is elsewhere in Africa). The organizers are called mothers of the temo ( ngudi a temo ) and the members are the children of the temo. In this society, trade was associated with femininity, " that is to say, with fertility and peace." <sup>24</sup>

De Jonge found,

temo [ esusu] was a relic of a secret association and ritual manifestation by which traders and pedlars were linked together.

Originally, the purpose of the institution seems to have been to promote peaceful commercial relations between hitherto antagonistic elements. It was a way of coming together and being of mutual assistance, perhaps the **oldest** of them all, of breaking down the isolation of lineages and establishing relations with the outside world, that were neither merely aggressive or temporary.<sup>25</sup>

This conciliatory approach could have been one which was employed by Muslim long-distance traders to enter local marketplaces, thereby accounting for its spread.

During the 1920's, when Balandier conducted his field research among the Ba-

Kongo people, they considered the use of temo to be a very ancient practice. Balandier's informants indicated the origin of this institution " was very remote" and that the long-standing existence of money in this society was due to the regional as well as local commercial activities of this society.<sup>26</sup>

When the Muslim control of international trade was undermined by European explorers, this system continued to remain as a practice employed by traders in Africa and elsewhere.

Temo's utilization also expanded to other groups in the various societies when other societal members became engaged in a cash economy. In this sense, Lewis is correct, poor people, as well as other income groups, implemented this system because it meets needs that weren't being met by the formal financial sector.

But it should be emphasized once again that this system was employed before there was a formal banking system in many of these societies and not just in areas of poverty. In fact, it is the preferred system by many of the individuals who do have access to the formal banking system, for reasons given later in this chapter.

The antiquity of this practice cannot be readily measured in that our basic data is so limited and the Muslims inherited an international commercial network that was thousands of years old - it is possible that this system was in place before they were able to become a dominant force.

Nevertheless, it is very likely this financial vehicle was a pervasive practice

along this network, based on the fact that the majority of the populations which currently employ this practice were a part of this ancient trade.

The fact that women controlled local trade and are the mainstays of esusu,<sup>27</sup> probably accounts for its permeation throughout African societies - both diasporan and continental.

Both in Africa and in the Caribbean, children organize these groups in schoolyards. An individual from Benin related that he belonged to groups throughout his childhood, using them to buy Christmas presents and the like. On the other side of the world, a few Jamaican parents told me that they belonged to schoolyard groups through the auspices of their children.

By virtue of existing in an environment where this practice is prevalent, functional, and somewhat egalitarian, its maintenance is more-or-less assured.

It bears repeating that the importance of being able to put this practice into an historical context is that it could help an outside observer understand how deeply embedded the system is in a society. As one young Jamaican woman, Karen Williams, stated - when asked why didn't she deposit her money in a bank instead of using paadners - " Its a tradition." For another Jamaican, an older female, " It's habit-forming ".

## **1.2 Generic Features**

There were two important observations Schrieder and Cuevas made while

researching these groups in Cameroon. These observations are ROSCA's are able to :

- 1.adjust their structure and operating principles to a wide variety of circumstances.... these groups are capable to respond to widely different demands for financial services, a major advantage with respect to formal financial institutions.; and
- 2." the striking relative importance of informal groups in the Cameroon's overall monetary circulation .<sup>28</sup>

The simplicity of the basic design of these groups allows them to be customized to the needs of the participants and the economic environment in which they operate.[ Examples of the variety of uses and designs will be illustrated in later chapters.] Due to this flexibility which is not available in a formal credit institution's operational framework, the use of this informal credit system is prevalent among the populations where it exists.

In addition to Ardner's basic description of this practice's operational mode, some of the other generic structural features shared by esusu and other ROSCA's are as follows.

#### **A. Basic Formations/Management**

Leguerre found there are two primary group types,<sup>29</sup>

A. "Cephalous" ( with a head), in which someone takes responsibility for the administration of the service.

B. " Acephalous" ( without a head ), in which the administrative responsibility rotates among the participants or is decided through a democratic process.

#### **B. Operational Modes**

Research undertaken by Schrieder and Cuevas noted four basic operational

variants.<sup>30</sup> ROSCA with:

an interest-free primary fund and no emergency fund.

an interest-free primary fund and a emergency fund.

an interest charged on the primary fund and an emergency fund.

an interest charged on the primary fund and no emergency fund.

Profiles of the aforementioned four types of ROSCA as they are manifested in Jamaica will be provided later in this text.

### **C. Recruitment Modes**

Once again relying on Leguerre's research, it was found that there are seven types of recruitment modes or linkage networks.<sup>31</sup>

1. "Invitation" - a cephalous group is formed by an organizer who isn't invested in the group, who then seeks members among her/his compadres, neighbors etc. and invites them to be apart of the group.
2. "Self-invitation" - a cephalous group is formed by an organizer whose intention is to benefit from participating in the system and thereby more or less invites her/his self to be a member.
3. "Replacement" - for whatever reason a member drops out allowing a person, who has exhibited interest in becoming a member or has desirable characteristics, the opportunity to be absorbed into the group.
4. "Associate of existing member"- an individual who is a founding member may bring another individual in the group as her co-partner -

sharing the contribution/hand and the subsequent draw/pool.

5. "Informal inquiry & application" - an individual, who desires to be affiliated with a group approaches, either a member or the organizer for admittance. In this case entry is usually allowed as a replacement or through an indirect invitation.

6. "Consensus" - an acephalous group is formed and has to be in agreement about who is admitted.

7. " Indirect invitation" - a group is being recycled that doesn't has enough members for whatever reason so the organizer asks the remaining members to recruit new members from among their acquaintances or family members.

Whatever the approach, the bottomline for both the thrower and the banker in the Jamaican system and for the esusu groups and their consumers in Africa, in regards to influencing choice of participation is reputation.

#### **D. Distribution of draw/pool**

The African construct and its derivatives have similar processes of distribution. At the beginning of the cycle the members ask for a placement position in the draw, which they determine by their cash flow availability and/or the timeliness of their request. The membership is often given this opportunity to choose on a first come, first serve basis. If someone else has asked for the position they require, they have the ability to exchange places with the other person, if that person agrees.



Another method of choosing positions within groups is through the use of lotteries. In which every name is drawn, and their position is determined through the order of the draw. Once again the membership has the ability to renegotiate their positioning.

A third method, which is used in India and somewhat in Africa, involves an auctioning process, in which members bid for the draw.<sup>32</sup> If the draw is 1000 dollars, an individual may bid 700 dollars for the first draw. In other words, the member is willing to return 300 dollars to the group in order to receive the first draw although his/her total cumulative contribution to the group will be 1000 dollars.

Whoever is willing to revert the most money back to the group will win that placement. The subsequent highest bidders will win the following positions. In this case, there is an implicit interest rate - which can be relatively high - when seeking an early bid.

Lastly, when a new and untried member enters a group or someone with a bad reputation is allowed into a group, they are given the last draw i.e. the last position. The rationale for this is, that by having someone who is untested in the group or someone who is trying to regain trust in the group be given the last draw, the group minimizes its risk. This tactic also allows the member to generate positive feelings through their exhibition of discipline and patience, when the person has met the responsibility of maintaining their contributions throughout the cycle.

Another plus is when the group recycles, the person who received the last

draw goes first, and so on, unless it is a group that utilizes a bidding process.

Surprisingly, most people in both continental and diasporan groups prefer to receive a late draw.<sup>33</sup>

Also when Jamaican groups have knowledge of a member's plans to leave the island they give that person a late draw.

### **E. Monetary Components**

The size of the draw and the amount of the hand is also determined at the beginning of the cycle, either by the organizer in the case of a cephalous group or by the membership in an acephalous group.

Practitioners have the ability to select whether or not a setup is conducive to their economic situation and thereby can make the choice of entering or remaining in a group.

The wide availability of these groups and their easy entrance gives an interested reputable individual the ability to shop around and find a group that fits the needs of their economic circumstances.

Moreover, the possibility exists to make flexible payments under certain circumstances. A member who has troubles making a payment can ask either the membership or the organizer to postpone the payment until the next week, when the member will have to double her contribution.

## **F. The Need to be Covert**

Regardless of the income of the participants, most of them feel one of the most important elements of this activity is its covert nature. This is especially true in the diasporan systems.

Many Jamaican group members expressed the need to hide their earnings from the taxes the government may impose.<sup>34</sup> This desire is stimulated by the fact that many Jamaicans have part-time under the table jobs or income-generating activities such as beekeeping, whose income isn't reported to the government. Therefore by keeping or depositing their money with a padners group, the government is kept unaware of the level of their earnings. The formal banking system is obliged to report savings to the government. Income taxes in Jamaica are 33.3 per cent of taxable income.

Another aspect of this concern, is the habit that the banks have of requiring documentation when money is extracted in large amounts from savings accounts. As one individual stated; "I don't want the government in my business. If you withdraw or deposit large amounts they think you are engaged in the drug trade."

Obviously, this individual, along with the majority of the other people I interviewed, did not deposit their returns from padners in the formal banking system - although this person did have a formal bank account, that he used for ordinary financial transactions.

People, especially women, felt the need to hoard their savings from their

spouses as well as other family members. This appears to be a cultural trait - Cohen mentioned in his social analysis of Jamaican society that " a woman never discloses her full earnings to her husband."<sup>35</sup> This observation was reiterated by many of the women whom I interviewed about this institution. Most individuals ,both male and female, I interviewed did not allow their spouses to know whether or not they participated in esusu, and if their spouses were aware of their association, they were not told the size of the throw or the draw.

For example, one Jamaican upper-middle income couple that I dined with, had a female guest ( a business partner in the office of the husband) who was a member of a paadners. The husband (who was a member of the traditional middle-class) exhibited a great deal of surprise when he heard that his co-worker belonged to a group. In response to his remarks to his guest, his wife informed him that she had a group in her office - a situation he was totally unaware of.

Another women, I interviewed, a widow, was able to shield the knowledge of her savings from her children by utilizing paadners.

The intent is not to give any input to how this money is to be spent to outside forces, since the money's usage has already been decided. However, there are scenarios where couples, who are co-partnered informally, belong to the same group - as individuals. In these cases, the control of the resources was viewed as residing with the individual,not the informal partnership.

In substantiation of this observation, one of my informants stated that if his

wife knew about his savings she would dictate how they would be spent. In order to avoid an argument he would have to follow her desires. Therefore, by belonging to a confidential group - that wouldn't send mail to his home - he could circumvent these problems.

Another aspect of this need to be covert was expressed by another female source, who requested anonymity, because she didn't want her neighbors or her employer to know how she was able to thrive economically.

Thus, the covert or confidential nature of this institution allows for financial autonomy from the government, community and/or familial interests. The money is directed toward a defined goal by the individual.

However, in the continental system the practice is not as individualistic as the diasporan system. In that the African construct is more communal the need to hoard your earnings from your family members may not be as important or as possible as it is in the Caribbean. Also esusu is indigenous to African societies while capitalism is an artificial construction in these countries. Paadners is a system transplanted to a capitalistic society and thereby was forced underground in order to maintain its viability and to prevent its regulation.

#### **G. Record keeping**

In African groups, the level of record-keeping is more involved than in the Caribbean derivative. The African groups, which are more bureaucratic, keep records" regarding loans, interests and deposits."<sup>36</sup>

In the Caribbean, the level of record-keeping is dependent upon the individual approach of the organizer, who typically keeps a record of the order of the draw but not of the other transactions. Oftentimes, the group members will keep their own records of their transactions, to avoid complications with bankers who tabulate mentally.

Although, in the Jamaican higher-income groups recordkeeping is more complex. Frequently members are written checks for their draws and must sign receipts - also a record of all transactions are kept by the banker. But this is usually the operational style of formally educated bankers.

#### **H. Duration of the Cycle**

In Jamaica, duration of the group's cycle is directly correlated to the number of members, the size of the pool, and in the case of cephalous groups, the length of time the organizer is willing to put forth - while in the acephalous group it is decided by consensus. In the African groups which are usually acephalous, the group decides how long a rotation will last and the size of the pool at their initial meeting. However in the Jamaican groups which are cephalous, the organizer makes all of these decisions before the group is formed.

Typically, according to Jamaican sources the longest term is one year and the shortest term is four weeks. The throws can be on a daily, weekly, or monthly basis. In essence, this system operates as a type of "contractual savings", in that people make a verbal commitment to meet the terms of the group's operation. However as

previously mentioned the groups often recycle. Both types of groups can continue to operate when the first rotation ends. There is example of one Jamaican group that continued to operate for more than twenty-five years.

## **I. Risk Management**

As previously noted, the groups are under a form of social and/or moral control which makes it an unappetizing notion to abscond with money that other people are depending upon. However, most of these groups have a contingency fund which is operational whenever someone absconds with the money. This fund is accumulated in various ways. In Africa, if someone is late for a meeting they are fined, this money is put into a contingency fund. In Jamaica, the first draw is set aside as a contingency fund by the banker or the banker has set aside her own monies to be used for that purpose.

The last resort, which is used when someone runs off with the money is, the judicial process. In Jamaica, a person can be taken to court whenever this occurs. In the words of a practitioner, "If someone does not throw the draw back in they can be arrested."

Although this process isn't legal, it isn't illegal; the government has given it tacit approval. When this type of suit is adjudicated in court, paadners is considered as a verbal contract or as a contractual agreement. Therefore, the documented transactions can be used as evidence to prosecute an offender or to substantiate a law suit. One source, said that these cases are prosecuted to the fullness as a preventative

measure because a number of judges, lawyers and policemen also belong to paadner groups. Katzin found the same legal avenues opened in 1959:

... all of the participants in partners who were interviewed were firm in their belief that a thrower who failed to make subsequent payments after taking a early draw, and a banker who misappropriate the funds could be prosecuted in court."<sup>37</sup>

In Zaire, the defaulter's employer is asked to intercede and resolve any problems.<sup>38</sup>

## **J. The Role of Formal Banks**

The use of formal banking services and the use of esusu/paadners are not mutually exclusive. There are a number of individuals who utilize both systems simultaneously. Individuals, especially those who are formally employed and/or have mortgages, use the banking system for their day to day financial transactions and the esusu for their ancillary transactions. Practitioners of esusu with legal business concerns that have heavy cash transactions often will deposit their esusu returns along with their other monies. People also deposit smaller esusu sums when there isn't a planned expenditure. (6)

A sizeable number of practitioners will apply their esusu returns to a down-payment for a home or as collateral for a business or a car loan ( which may be a substantial amount compared to what can be engendered from available esusu groups).

However, most people spend their returns on business inventory or personal



consumption items as soon as it is received, thereby the banking system may derive an indirect benefit in that the money may be eventually deposited by the sellers of the goods. Organizers of esusu often use the formal banking system when they are handling large sums of money for large groups as a security measure. The money is deposited after collection and dispensed by using checks. In Cotonou, after marketdays according to Mr. Adjibodou, there is a line in front of the bank comprised of individuals who are depositing large sums of esusu money that was collected from marketwomen. Lastly, banks also transmit the remittances that are often used to invest in paadner groups. One informant described how her son would send a hundred dollars a month through a bank transfer to her from America to invest in paadners. When his job ended in the U.S. he returned to Jamaica. His paadner savings were invested in a small fishing enterprise.

### **1.3 ESUSU: The African Model**

The African model of esusu is characterized by its communal nature. A reciprocal orientation is found in many African institutions, this proclivity,

... implies a mutual responsibility by society and its members to do their very best for each other with the full knowledge and understanding that if society prospers its members will share in that prosperity and that society cannot prosper without the full cooperation of its members.<sup>39</sup>

This ideology permeates the collective personality of African traditional thought and is the underlying principle of African social arrangements.

The Ghanaian writer, Ayi Kwei Armah, gives this

characterization of the concept:

Reciprocity. Not merely taking, not merely offering. Giving, but only to those from whom we receive in equal measure. Receiving, but only from those to whom we give in reciprocal measure. <sup>40</sup>

Thereby, esusu - which is a traditional form of financial "mobilization and redistribution" <sup>41</sup> operates within this philosophical framework. The communal character of these organizations is highlighted by the socialization component of their operations. Everything is done by group consensus, including the determination of the cycle, the size of the pool, and the order of the draw. When the pool is dispensed it is done in front of witnesses.

In the Cameroons, the membership is required to attend and participate in the meetings, thereby creating a vested interest in keeping the group solvent.

In Zaire and other African countries, where this system is found, there are monthly meetings where the members publically pay their hands and receive their draws - at the ending of these meetings drinks, food, and music is supplied; participants also "sing and dance for entertainment." According to Schreider's research, the last beneficiary provides refreshments in groups that auction the order of the draw and in groups where the draw is "determined in advance, the actual beneficiary supplies the beverages and the drink." <sup>42</sup>

Just like many other manifestations of ROSCAs (revolving savings and credit associations) the African groups are temporary associations,

whose duration depends on the number of members and routine payments... and whose modern economic function is to accumulate wealth and provide savings on a scale beyond the scope of merely individual resources."<sup>43</sup>

Ajonou, the Fon word for esusu means " put something together "<sup>44</sup>.

The African model is typically " acephalous" without a head yet bureaucratic. This contradiction is explained by the fact that the associations are formed by group consensus which involves " horizontal interaction rather than vertical interaction".<sup>45</sup>

For example in, the Cameroon study, groups are governed by a board of members:

- with a president, general secretary, treasurer, vice president, accountant, and " charge de discipline". All positions are subject to rotation by general election.<sup>46</sup>

One of the primary reasons for this type of organization is security. The different officers are responsible for various aspects of the administration of the money. The money is housed in a locked container at the president's home.[ This is probably the reason these groups are called box in Barbados ] The treasurer has the key to the container, and the secretary keeps the record book. They all must be present when the container is opened and any business is transacted. They are all responsible for watching the activities of each other. These positions rotate within the group.<sup>47</sup>

Consequently, the whole group absorbs any risk. The group admonishes any offender, either by social pressure - in the form of gossip, or ruination of the person's/family's character - or by physical pressure which involves the beating of

the offender or the removal and sale of items of value which belong to the offender. There is also a contingency fund which is accumulated through fines on the membership that is applied to sustaining the group when anyone absconds with the funds.

There is always some form of commonality among the membership. They belong to the same ethnicity, have a familial association, share a common occupation or live in the same neighborhood. According to Mr. Adjibodou, a person must be of good character and have a family, a home as well as a farm or business, in order to hold a responsible position in esusu. All of the membership must have roots that tie them to the community that they don't want to relinquish. This makes their involvement a good risk.

As Flammang observed,

personal relationships govern financial dealings in Senegal and Zaire. Transaction costs are low because personal knowledge substitutes for formal research on who can be trusted and with what, and because extensive travel or special literacy are not required.<sup>48</sup>

Mutual trust and place of residence were cited as the most important factors when considering new members.<sup>49</sup>

As previously mentioned, the groups currently found in Africa are very structured. They meet regularly, at which time people submit their payments, receive payment if due and if there is any problem with their ability to pay, the group is consulted during this forum. If the excuse isn't believed then the group admonishes

the offender; if the excuse is determined to be a valid one then the group rallies to the person's support.

There is a club atmosphere associated with the African groups. In many cases, the groups invest the monies jointly or advise the membership on their expenditures. Quite often esusu groups house their money in formal banks. According to Schrieder, a number of rural cooperatives use esusu to finance their operations.

Women, who are the mainstays of this system, often invest remittances from their husbands and/or the income from their market sales or formal employment into esusu. But the groups are also heavily represented among urban dwellers with formal employment as well as other individuals with a regular cash flow. It bears repeating that Chimedza, who researched these groups in Zaire, noted the major function of this system for its participants was that the lumpsum payments are designated for planned expenditures.

On the whole, ROSCA funds are normally meant to be spent and not saved. Thus in many cases, by the time a member's turn to get all the contributions comes, she will already have planned her purchases or committed all her money.<sup>50</sup>

According to Chimedza's observations, groups operating in rural areas spent their money on "some durable or capital item" but city-dwellers were more likely to pay bills and save the balance. His analysis of urban esusus indicated that their role is to stabilize cash flows which have a tendency of fluctuating." The need to stabilize

the income of urban dwellers in Zaire can be attributed to the fact that many of the urban poor are unemployed as casual workers or seasonal workers. In Africa, these groups are in competition with the formal credit institutions.<sup>51</sup> In the Cameroonian study, they accounted for 54% of the country's savings.<sup>52</sup> There is the fear that these group have taken over the "monetized economy " in this country.<sup>53</sup> However, the fact of the matter is these groups are indigeneous to the popular culture and the formal banking system has failed to supplant their operations. Some of the Cameroonian pots are as large as one million dollars.<sup>54</sup>

## Chapter II. Throw Paadners: The Jamaican Model

There is an Akan proverb that states, "When rain beats on Leopard it wets him, but it does not wash out its spots".

In concordance with Herskovitz's cultural retention theory, the Africans, who were transported to Jamaica, brought this practice with them.<sup>1</sup>

The term esusu is only used by a few Jamaicans. The more popular label for these associations is paadners. The Jamaican configuration of esusu is cephalous. The bulk of the participants are female. There is one organizer, i.e. a banker, (normally female) who interacts vertically with the membership "hands". Most of the hands are solicited by the banker to join the paadner group that she/he is establishing. When the group is being recycled( when one cycle of savings ends another one begins using the same core of participants) if some of the original member drop out of the group the other informational linkages - which were noted by Schrieder - would be utilized to generate new members. An example of this scenario was given by Margaret Newman, a sociologist working in Jamaica. Ms. Newman hired a new housemaid ( helper A ) that befriended the housemaid (helper B), who was presently employed by Ms. Newman and was a banker of a paadner. Through their relationship, helper A's mother became acquainted with and subsequently joined helper B's paadner group

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<sup>1</sup> The East Indians and Chinese immigrants in Jamaica also utilize this practice but their operational modes were not evaluated in this study. The focus was on the African diasporan groups. Although these groups can consist of members from a wide range of incomes and classes, they don't appear to be inter-racial.

that was being recycled, using her daughter's reputation to enter.

In most cases, the membership does not know each other, unless they are an associate of a member or were recruited by a member. This is the case even in office based groups. One of my sources indicated that she did not know that a group had existed in an office where she had worked for a year until a co-worker approached her about joining the group. Even after being a member for a year, she still is unsure about who else is in the group.

But there are cases where everyone who belongs to a group, because of proximity or the acephalous orientation of the group, knows the rest of the members. One scenario where this exists is in a office group where the banker does not belong to the group but happens to be the most responsible person in the office. This individual more-or-less serves as a treasurer and does not receive any compensation. The group itself is responsible for enforcing the collection of the money which is then deposited with the "treasurer" - thereby everyone knows who is in this group.

Another instance where there is group awareness, is in an all-male group ( the membership did not know each other beforehand their only linkage was the banker), which is also being used as a male bonding and networking exercise.

In spite of these examples, the Jamaican configuration's operation overall is more cephalous and clandestine than the groups found in Africa.

Consequently, the banker also absorbs all of the risk due to the fact that she is responsible for collecting and dispensing all of the funds which is unlike the



continental groups where all of the members share the risk. Most bankers use the first draw as an emergency fund, to be used in when someone breaks the cycle. Although in the case of a default the banker has the ability to prosecute the offender in court, this legal recourse is expensive.

Since these groups are not consensual, there aren't any regular meetings - either the hand delivers the throw, the banker has to pick it up or the sponsor of an individual will deliver it. Therefore, due to the convenience, groups operating in the workplace - offices or marketplaces - or neighborhood groups are more prevalent.

Although I did interview a male banker( whose group did not match the aforementioned characteristics) that preferred to pick up his throws and deliver the draws.

The payment schedule can be somewhat flexible, depending upon the attitude of the banker. Some bankers will allow a person to miss a payment if they can make it up during the next payment period. Bankers of a weekly group sometimes will allow people to make their payments bi-weekly if necessary.

Most often, the money is kept in the house of the banker. There are cases, in higher-income groups, where the money is deposited in a bank by the banker and a check is written for the draw. This is usually the case when the banker is a businessperson that deals in cash transactions.

There is an implicit interest associated with paadner's. It is customary to give the banker the equivalent of a hand for their service. In some cases, the amount is

equal to a quarter or a half of a hand. People are willing to pay for this service because of the level assistance that they receive. Many people are taught money management skills through the use of this system. But on the most part this customary hand is given to the banker as a payment for the risk that she is taking while managing the group. However, there are a few bankers who refuse to take anything, because they are being helped by the process and want to help other people.

Other bankers have taken the initiative to use paadners as an income-generating activity as well as a credit mechanism. There is one older Jamaican woman, Mother A. who lacks a formal education is concurrently administering eight paadner groups on various weekly cycles, with approximately 250 hands. She receives anywhere from \$150.00 to \$250.00 ( a hand) each week from each group - adding up to is \$1200.to \$2000. a week. This is an amazing feat, in that she does not keep written records and has been operating on this level for more than fifteen years. Due to her exemplary reputation, this particular banker has loyal patrons who have bought multiple hands in two or more groups that she is running.

However, according to my sources, the percentage of bankers engaged in running multiple groups, is relatively low. Most bankers have another occupation which is their primary source of income.

As we have seen, many of the decisions made in this system are based on character. Bankers have to be good judges of character, efficient, honest, strict, and

compassionate, in order to attract a loyal membership and to operate a smooth practice. If a banker exhibits the aforementioned attributes in a consistent manner, word of mouth will keep her/him well-endowed with patrons.

Invariably, bankers have to be accessible to their patrons when an emergency arises. A banker has the ability to bump an individual who is due to draw or to utilize the emergency fund in order to assist a person in a crisis that needs an early draw. One long-time banker related how, on a numerous occasions, different people came to her home in the middle of the night needing this type of service.

Draw adjustments are usually available in the case of a death of a family member (funeral expenses), sudden illness of a family member (medical expenses), or a fire in the home or business (moving expenses). Otherwise, the banker will adhere to the established draw order.

This access exhibits a high level of service, " without the ceremony "<sup>55</sup> associated with a formal institution.

In that this is a reciprocal association, the banker also has to have access to the patron's home. Whenever the throw is late, the banker has the ability to make a home visit to collect. Consequently, a stable address is a primary consideration both when choosing a banker/paadner group or when selecting a new member.

These groups, although operating on a temporary basis, often have a long history with the core membership recycling after the end of each paadner duration. One retired banker, who was a banker and a higgler for thirty years, inherited her

group from her father who had taken over the group after the death of her mother and held on to it until she became of age and could manage the operation. Thereby her group had operated for more than fifty years and didn't disband until she (the banker) was injured in a motor accident and had to give up her stall in the marketplace.

As the previous examples indicated many women in this society, as in the case of their African counterparts, derive income from the distribution sector (marketplace). These individuals, called higgler, are more than likely the transmitters of paadner system in Jamaica.

Higglers, some of whom are currently known as Informal Commerical Importers (ICI's) - since they buy goods in Miami and elsewhere to be sold in Jamaica -are for the most part and represent the backbone of the informal sector in Jamaica.

International trade, where shoppers go to Panama, Miami, Curacao, and Grand Cayman to buy commodities at low prices and sell them at a higher price. Entrepreneurs have been able to earn incomes through these activities which are comparable to and at times even exceed the income of many members of the traditional middle-class.<sup>56</sup>

More than 75,000 individuals are self-employed as higgler<sup>57</sup> (56,200 are women). According to a number of Jamaicans, at least three-quarters of that number belong to paadners. As one part-time higgler expressed " Every higgler throw paadner".

Most of these ICI's prefer to belong to groups that are on a daily cycle with

the rest in weekly paadners. The reason for this is these individuals are in a cash and carry business so they need a quick turn around on their investments.

As Balandier noted:

this system allows individuals to accumulate wealth and provide savings on a scale beyond the scope of merely individual resources.<sup>58</sup>

By using a daily paadner group the ICI's are able to reinvest in their vending operations and are able to have lump-sum amounts that can be applied to the purchase of airfares and inventory. In the larger marketplace's daily paadner groups, the membership can be as large as 100 individuals. Many ICI's have become relatively wealthy by parlaying their paadner money in business. According to Edgerton Chang, a banker with Eagle Unit Trust, there are immense money collection potential among higglers. He stated:

Some higglers can turnover as much as \$ 6,000. per day. His instinct as a banker is to take an armoured car downtown every day to collect money.<sup>59</sup>

The daily form of paadners is often practiced by people with an uncertain cash flow, who are self-employed or are engaged in casual work - like cab drivers, bus conductors etc. By contributing a manageable amount such as \$20 a day, an individual who is handling cash everyday is able project at least enough solvency to meet this minimal obligation.

This credit association helps the people to rationalize their economic behavior in that their expenses are judged against the continuation of their business.<sup>60</sup>

Most of the low-income people interviewed, like the higglers, preferred to be in short-term groups and wanted to have a late draw. " Only people who really need it draw early."<sup>61</sup>

This desire to have a late draw is not logically consistent, in western terms, yet makes a great deal of sense to the participants in these groups. The rationale for this preference is by obtaining a late draw the hands have an incentive to make their contributions. When an individual gets a late draw, she doesn't have to continue paying into the draw which is a taxing exercise. The intent is to use the money for a planned purchase. If an individual receives an early draw, she buys whatever she intended and then has to continue to pay for a relatively extended period of time. She no longer has an incentive other than a moral imperative to pay into the pool, so the paying into the group becomes more punitive. As one of my sources expressed, "it becomes endless, the payments drag on." Therefore, most people prefer to take a late draw, oftentimes a person who receives the draw near to the end of the process, let's say the eighth draw in a 12 month cycle, will pay for the remaining period out of the draw rather than having to continue to pay on the previous schedule.

Short-term groups ( eight week cycles) seem to be fancied by lower-income individuals, while long-term groups are endorsed by people with more disposable income.

Regardless of the term's length or the income-level of the user, the most attractive feature of this form of financial management, as expressed by my sources,

is the inaccessibility of the monetary input until it is time to draw.

Paadners has been compared to other types of formal saving vehicles, like Christmas clubs, but the primary difference is a user can not extract her/his-self from the process without harming the financial interests of another person or recover their investment. Therefore the money can not be touched until the rotation comes about.

In a formal bank's Christmas club, a member can withdraw his association without causing harm to anyone else other than herself ( by having to pay a penalty ). Unlike paadners, the money is still accessible.

In paadners, the money is immediately dispensed upon reception and is not available to someone who may want to withdraw early. It is in this manner, that the system works as forced savings.

The personalized service, the easy entrance into the groups, the absence of paperwork, the confidential nature, the lack of intimidation that is found in the formal banking system, opportunities for networking, accessibility of the bankers locations, forced savings, and the ability to make plans were among the reasons that the Jamaicans ,who were interviewed gave for using paadners.

## **2.1 VARIANTS OF THE JAMAICAN PAADNER MODEL**

Having clarified the primary differences and similarities between the African and Jamaican ROSCA models, an illustration of four variants of the Jamaican system and their usages will follow. These examples came from interviews and are based on recent experiences of individuals and institutions that are currently employing the

paadner system to address the needs of their financial circumstances.

### **Model A: Paadner's with Interest and no Emergency Fund**

#### **A. Composition**

This partner group is an anomaly, in that it is composed of twelve upper-middle class males, including the banker, who are on the most part professional salaried men. The commonality shared by the hands(members) is they are all friends or business associates of the banker.

#### **B. Banker**

The banker is a young college-educated Jamaican, who comes from a family that has been associated with paadner banking for more than sixty years. He initiated this group one year ago due to his lack of financial liquidity and similiar complaints he heard coming from his acquaintances. The banker thought by saving in this manner he could help himself as well as his comrades. This was his first attempt with running a group. He has relied on his mother's experiences ( she ran a group for 30 years) and advice for guidance.

#### **C. Recruitment Mode**

The banker identified twelve individuals from among his colleagues and friends who were gainfully employed, responsible and could afford to belong to a paadner group.

Most of these individuals did not know each other and all of them were solicited for membership by the banker.



The banker wanted to make this a meaningful experience for all of the members by making this association an opportunity for networking. Therefore, he did something that is rather unique for paadner groups. He held an introductory meeting for all of the membership where they exchanged telephone numbers and established the draw order. He also plans to hold another meeting at the end of the cycle to evaluate the group's operation.

#### **D. Mechanics**

This group has a twelve month cycle, with a monthly throw of 1000 dollars and a 12,000 dollar draw every month. The banker prefers to collect the money through monthly home visits in order to avoid any excuses being given about not being able to reach him. He also stated that by physically contacting the members at their home they would pay more readily. When payment is made, a receipt is given for both the monthly throw and the draw.

#### **E. Risk Management**

This banker has undertaken a great risk in that he does not require any portion of the draw to be given to him, as customary, for his services and he did not set aside the first draw as an emergency fund. The reason he gave was the men were all new to this process and he wanted to make it as easy for them to participate as possible. His motivation was "to help his friends and myself, not to exploit anybody." When questioned about the possibility of someone absconding and the group crashing the response was that no one would drop out because they all were carefully chosen

and their income would allow them to meet this responsibility. He mentioned that they all had roasts ( moonlighted) and used the income derived from these activities to invest in the group. The banker kept bees and sold honey as his" roast."

#### **F. Draw Order**

The determination of the draw order was made through the use of a lottery. A calendar was distributed which illustrated the monthly rotation. [see figure 2] The throws are collected monthly, but the members are allowed to throw more than one hand at a time when able. However, they are not allowed to skip a payment due to the lack of a contingency fund.

The members must sign a book when both the throws are made and the draw is collected.

#### **G. Investment Pattern**

Most of the men are living in two-income households, with children, earning upwards of \$50,000. annually. At one point in time - prior to the implementation of structural adjustment related policies - the men were able to indulge in conspicuous consumption and still maintain their households. Due to the changes in the economy the men have found their spending power restricted.

Items such as video cameras, business equipment, and other electronic products( which currently have price tags of eleven thousand dollars and up ) that the men were able to afford on their salaries before devaluation led to hyperinflation, are outside of the realm of what their salaries can now absorb. So in order to

purchase these durable items the men have resorted to a savings device that their mothers and wives have always employed. Most of the men have business applications for the aforementioned items that they will be purchasing. One member wants to use the money for a vacation. The majority of the purchases will be directed to the exclusive use of the men.

### **Model B : Interest and Without an Emergency Fund**

#### **A.Composition**

The bulk of the membership are lower-middle class individuals who are self-employed, such as cab drivers, bus operators, higglers, shopkeepers, bar owners etc., people who handle relatively substantial cash transactions daily. The hands are not acquainted with each other.

#### **B.Banker**

The banker is a semi-literate woman named Mother A who is administering 8 paadner groups simultaneously from her home. She tabulates her transactions mentally. And has the reputation of being efficient, honest, and compassionate. Mother A has been a banker for more than 20 years and has a loyal following. Running paadner groups is Mother A's only means of generating a income and based on the number of groups she is operating it is a lucrative business.

#### **C. Recruitment Mode**

At this point in time, the majority of the new hands enter her groups via

indirect invitation, replacement, as an associate of an existing member, or through informal inquiry and application.

#### **D. Mechanics**

The source of information about this group is a cab driver, who has been using Mother A groups for the last ten years and currently belongs to two of her groups. One operates on a 26 week cycle, and has 26 hands, at \$150. per hand and a \$ 3900 draw. The second group is on a 52 week cycle, has 52 hands, at \$ 200. per hand and a \$ 10,400 draw. The informant has 3 hands in this group and 4 hands in the second group. ( We must consider that in Jamaica a one mile cab ride is \$ 60. ) The informant expects to collect a \$ 39,000. combined draw from this exercise. When he receives his draws he has to compensate Mother A by giving her \$400. for his involvement in the first group and \$ 600. for his membership in the second group. As previously mentioned, she tabulates her transactions mentally, therefore she does not keep written records or give receipts. My informant seems to think that she could become confused based on the volume of business that she transacts, so in order to circumvent any problems he keeps a weekly record book in his cab and one at home that records all of his transactions with her. The recordbook I was shown was a notebook that recorded three years of weekly transactions.

The throws are delivered to the banker's home on Saturdays, which is also the day the draw is dispersed. Mother A, according to my source does not like banks and rarely leaves her home. Therefore all the money is kept in her home, but because the

money goes out as soon as it comes in she doesn't consider her home a security risk.

#### **E. Risk Management**

The banker does not apply any of the funds to an emergency fund. Therefore she absorbs any losses. But due to her earnings she is able to take this risk. Her operation is reminiscent of the groups that Margaret Katzin found in 1959, where a banker had to have enough liquidity either through her marital association or her own business to cover any losses that her group might experience.<sup>62</sup> This is why her patrons are willing to pay her a hand for her trouble.

#### **F. Distribution order**

When a new group is starting the participants who are familiar to the banker are able to request a draw position. If the group is recycling, the draw positions shift up one so the last draw has access to the first draw if they desire it but on the most part this option isn't utilized unless there is a financial need for an early draw.

#### **G. Motives**

The informant feels compelled to put his throw in on time because he does not want to inconvenience the other members or Mother A. He feels that a formal bank saving account could not serve the same purpose. He states that he would extract the money from an account when any little emergency came up. But what he left unspoken was if he did use a bank account and saved on this level the government would have the ability to access his income and thereby would tax his earnings.

In regards to Mother A we can speculate that her motives are heavily

influenced by the income generated from this activity, as well as by the prestige associated with being a banker in the community.

#### **H. Investment Pattern**

The informant has used his past returns to buy his cab and his personal car both of which are sizeable purchases - a thirteen year old car is priced at \$70,000. He has also bought home furnishings for his wife as well as for other durable purchases. He hopes to use the receipts from the two groups he currently belongs to as a down-payment for a new home. He intends to put the \$39,000. draw into an account with a building society he belongs to which will give him a mortgage on a new home.

#### **Model C: No Interest Rate & No Emergency Fund**

##### **A. Composition**

This group is comprised of female members who are employed by a NGO (non-government agency). Both management and support staff belong to this group. It has been in operation for an extended period of time ( no one seems to know the duration) and has experienced many rotations.

##### **B. Banker**

The banker of this group has a limited interest in the operation of this group. Since she does not receive any compensation,her primary motivation is to be of assistance to her co-workers and herself. Therefore she acts as a volunteer treasurer. This banker didn't initiate the establishment of the group, therefore collection of the money is not her responsibility; she just holds and dispenses the fund as well as

records the transactions. It is the membership's responsibility to deliver the funds. Her position is not atypical in office group configurations.

### **C. Recruitment Mode**

Since this group wasn't initiated by a banker but through a consensual process, the modes employed in recruiting members include consensus, indirect invitation, replacement, associate of an existing member, and indirect invitation. My source stated that she had worked in the office for approximately a year before she was recruited by a co-worker to become a member. Prior to her recruitment she was unaware that the group existed and still doesn't know all of the membership. She is currently employed in a upper-management position.

### **E. Mechanics**

The paadner group is on a twelve month cycle, has 24 hands with a \$200 monthly throw - two hands draw per month splitting a \$4800 draw . The banker receives the throw from the membership on payday.

A very interesting statement was made by my source. She stated that on payday the members would go to the bank, cash their paychecks during their lunch hour, return to work and then pay the banker. This scenario is an illustration of how the banks are utilized to bolster this process. It also contradicts a motive that was given by this woman and other practioners. One of her primary reasons for using this system was the convenience of having paadner located at the workplace, which was more preferable than going to a bank with an out-of-the-way location to save.

Yet, she and her co-workers conducted their financial business with the bank within a hour of making the payment to the paadner group - which suggests that the location of the bank has a minimal influence on the preference to employ paadner.

The banker will take the hand in a lumpsum or in portions but its has to add up to \$200. at month's end to keep the system operable.

#### **D. Risk Management**

The banker withholds the first draw as a contingency fund in the case of someone dropping out. Normally if someone wants to drop out of the group they will find a replacement to take over the responsibility. Obviously, this only works if the drop-out did not receive an early draw. Any type of fraudulent behavior is considered unwise in an office group because of the need to maintain a positive professional reputation. Misbehavior could be punished by the loss of employment as well as harmful to any subsequent job search, due to the fact that some of the membership are employed in high profile positions. Most of the membership is acquainted with each other and is able to monitor the behavior of potential members.

The confidence level of the membership is high because the process is economically secured by the salaries of the hands.

#### **E. Distribution order**

Participants are able to request a position on a first-come first-serve basis. However the placement order can be changed through negotiation.



## **F. Motives**

According to my source women in this group, as well as others are, attracted to the accessibility of the banker, the ability to manage their own money in private, and they are not subject to the potential humiliation associated with applying for a formal bank loan.

## **G. Investment Pattern**

Although this is a relatively small draw, most of the women, unlike what we saw in the male paadner group, spend their paadner returns on services or goods consumed by their households, such as appliances, school fees, and household expenditures.

## **Model D: No Interest and Emergency Fund - The EDT Model**

### **A.Composition**

Twenty-six clients and 15 staff, friends and relatives (mostly female), of Enterprise Development Trust(EDT), make up the composition of this hybrid( its both formal and informal) paadner group. It was an on-going in-house paadner office group which was expanded and modified to service the needs of the agency's clients. Ms. Blackwood, the director of this agency, stated that the some of the agency's board members showed interest in joining the group when it recycled.

### **B.Banker**

EDT is a non-profit agency which was established to foster entrepreneurial activity in

Jamaica by offering financial and technical assistance to microenterprises. An essential element of its operation is the allocation of microenterprise loans. The loans are offered at a relatively low-interest rate( market rate interest ranges between 40 and 55%) of 18 % straight line with an effective rate of 32%. In January of 1992, it established a pilot program which entailed the operation of paadner group to assist its clients. The idea was developed by Ms. Florette Blackwood, the director of the agency, and her staff. One of EDT's staff members handles all of the transactions.

### **C.Mechanics**

There are 42 hands in this group, the throws are 500 per month, and the cycle lasts 6 months and the draw is \$3000 with seven hands drawing at a time. The throws can be submitted in smaller weekly or daily increments but they must add up to \$500. Only two people are allowed to share a hand at \$250 per person. The banker, EDT, receives the entire first hand which is deposited in an interest bearing account. This receipt represents the customary hand that the banker receives from each participant. The difference being that every contribution is taken right off the top rather than when each participant receives her/his draw. At the end of the cycle, the first draw which was received by the agency is dispensed among the members with interest.

### **D. Risk Management/ Recruitment mode**

The first draw also suffices as a contingency fund in case of default. However, the agency had "creamed" the 26 most reliable clients from its 300 person client pool in order to insure the group's smooth operation. The members who are clients or staff

of the agency would have to be sponsored by one of the core group. In spite of this precaution, Ms. Blackwood seemed assured that no one would default due to the moral imperative associated with making payments into paadners.

#### **E. Distribution order**

The agency determines the distribution order according to need.

#### **F. Motives**

The agency microenterprise loans amount to 80% of the client's needs; the client has to raise the remaining 20% . By establishing this group the agency is able to assist those clients with limited resources to accumulate this amount. The agency's other stated objectives are:

- Assisting the client in repaying the EDT loan;
- Providing a trustworthy paadner group that is stable;
- Giving the client the incentive to make their business profitable by requiring to meet their paadner throw obligation thereby forcing the client to become more productive;
- Helping EDT's operational viability by ensuring the repayment of its loans;and offering extra funds to its clients which can be reinvested in their businesses.

#### **G. Investment Patterns**

The agency counsels the clients to reinvest their draw into their business or to the repayment of their EDT loan. The agency uses its draw to sustain its operation by returning the draw with interest to the clients to assist them in investing in keeping their businesses solvent. The next cycle's agency draw is expected to be invested clients loans with the base amount and the profits distributed among the

membership.

## **Model E: Round Robin Paadner- Business Application**

### **A. Composition**

Twenty Jamaican businessmen, all owners of bars or nightclubs make up this paadner group. All of the men have lower-income backgrounds.

### **B. Banker**

This is a consensual group, that rotates the banker's responsibility among the membership. Whoever is receiving the draw is responsible for its collection.

### **C. Mechanics**

The group is on a 20 week cycle, has 20 hands with a \$1000. a week throw and a \$20,000. draw. However, each member receives a \$200 credit which can be redeemed by either a member or his proxy and can be used to purchase food and drinks for the members and his guests at the bars that have received their draw.

### **D. Risk management**

There isn't a contingency fund to cover any defaults. The anticipation of a default is low due to the fact that each bar owner's investment in his establishment is much higher than what they would receive from the draw. Thereby, a bar owner wouldn't want to endanger his business by defaulting. The inference is that the other members could have a defaulter's business destroyed or damaged. According to my source, the judicial system would not be brought into the picture if someone absconds with the

money.

#### **E. Distribution order**

The order of reception is determined by lottery, though a placement position can be change through negotiation.

#### **F. Motives**

Obtaining an interest-free loan (in a formal credit enviroment where a market-rate loan have an interest rate as high as 55%) and the possibility of generating new customers through the food and drink credit are the motives that have attracted these men to this group.

#### **G. Recruitment Mode**

All of the businesses were suffering from slowdowns in patron traffic and revenues due to the state of the economy. They all knew each other beforehand. One bar owner suggested the idea and the rest agreed to implement it - making this a consensual formation. Any new member wanting to join would have to have a similiar business and be approved by the core group.

#### **H. Investment Pattern**

According to my source, most of the membership is reinvesting their draw into their businesses ( to pay bills, to buy inventory or improve their bars).

### **Model F: The Madden Model**

#### **A. Composition**

The majority of the hands in this group are held by upper middle-class individuals of both sexes. However, one hand is jointly held by nine low-income members of a farming cooperative, whose operation is being facilitated by Frances Madden, a staff person at the Grace Kennedy & Staff Foundation (GKSF), a charitable organization.

#### **B. Banker**

This on-going group is administered by a banker, who earns in excess of \$200,000. per year as a saleswoman in the formal sector. This businesswoman and part-time banker comes from a grass roots background and has participated in paadner groups for years. She continues for altruistic reasons, she wants to help people get ahead.

#### **C. Mechanics**

The group is on a 52 week cycle, with 52 hands at a \$200 a week throw and a \$10,400 draw. The hands are delivered to the banker. This banker dispenses the draw in a cashier's check. There is a sub-paadner group operating within her system. The banker for the sub-group is Frances Madden, who is providing technical assistance to the farming cooperative. She collects \$4 dollars a day for 5 days from the nine cooperative members- in order to allow them to accumulate the larger paadner's weekly throw in an affordable manner. GKSF contributes \$20. weekly to complete the \$200 throw.

#### **D. Recruitment mode**

The banker of the larger group usually attracts people through invitation. However, the cooperatives group was brought into her group under the sponsorship of a long-

term member who was an acquaintance of Mrs. Madden. The banker welcomed the coop members into her group.

#### **E. Risk Management**

The banker takes the first draw as insurance against defaulters. Although in the case of the coop members their sponsor is responsible for their obligation if it isn't met.

Also any new members receive a late draw.

#### **F. Distribution order**

The members ask for position on a first-come, first-serve basis. In the case of an emergency the banker is able to make an adjustment in the order. The coop members requested a late draw that falls during the period when they allow their land to lie fallow. Each farmer receives an \$1155.50 share of the draw.

#### **G. Motives**

The coop members joined the group, at the advice of Mrs. Madden, in order to allow them to get through their slow season.

#### **H. Investment Pattern**

The coop members grow local vegetables - callaloo, and pak-choy-on a four acre farm which they sell under contract to a line of supermarkets owned by Grace Kennedy Corp. and to the community through the local outdoor markets. Each farmer farms 5 beds - two beds are harvested for sale in the outdoor markets and three are harvested for sale to the Hi-Lo supermarkets under a contract negotiated by Mrs. Madden. In December, the farmers allow their beds to lie fallow for a month, during which time

the paadner draw comes due. These receipts are invested in the purchase of vegetables grown by other farmers which will be sold to both Hi-Lo ( to honor the terms of their contract) and to the customers in the community markets.

## **2.2 Summary**

As the preceding material has indicated, paadners is an ancient livelihood strategy brought to Jamaica by unpaid West African laborers. The persistence of its usage can be attributed to two factors. The most important factor is the historic fragmentation of the Jamaican socio-economic structure through which these unpaid laborers were able to retain their customs and adapt them to their new environment. This fragmentation also allowed the practice of this system without the fear of the state's intervention. The other factor is the simplicity of the design which has allowed the system to be adapted to the varying needs of its participants.

As we have seen, the four key variables that fuel the operations of paadner and esusu groups are confidence, stability, moral principles, and goals. These elements that in whole aren't always associated with the operation of the formal institutions by the users of this informal system. Especially, in countries that are suffering from severe economic deficits. Determinants that influence the consumption pattern of this system include accessibility, reputation of the organizers and participants, the lack of government regulation, and the need to accumulate large sums either through savings or credit.



The investment patterns of the participants are more or less influenced by the occupational status of the user. Illustrations of these patterns are given in the last few models. It appears that when an user has a stable well-paying job, the expenditures are for consumption items, such as durable goods, or for the purchase of a home. But those individuals who have low-paying wages or are self-employed usually invest their receipts in an income-generating activity. All in all the more things change the more they stay the same. The group that is most invested in this institution in Jamaica are higglers. A situation that is reflected in the West African setting.

This informal activity provides an opportunity for its users to enhance their living standard both in Africa and in Jamaica.

### **Chapter III. Jamaica's Socio-Economic Environment**

The Jamaican society, like all societies, is an outgrowth of historical impulses. In order to assess the current economic circumstances of this country, the historical and social factors must be considered. The first section of this chapter attempts to give an overview of social trends by looking at how the country's historical experience has shaped its current socio-economic framework. While the second section looks at how recent societal and state concerns have affected the economic development strategies of the country has employed. The third section and the summary examines how and why the impact of structural adjustment policies have altered the country's current socio-economic environment.

#### **3.1 Sociological Background**

When first colonized by Spanish Jews, in 1440, the socio-economic tone was set for the future generations.<sup>63</sup>

During this early period of colonization, Jamaica's economic role was to export raw goods, spices, sugar and its by-products, back to Spain and to distribute Spanish processed goods, production inputs, fabric, etc., to the Caribbean market. African unpaid laborers were brought there to fuel this process. Initially coming in as manservants and mercenaries and later as agricultural workers, with their numbers increasing overtime.

By the 16th century, the British were the masters of this land and the Indian population was decimated. Nevertheless, the African population swelled in numbers, from 1655 to 1805 more than 850,000 Africans were brought to work the plantations. These people came from a wide variety of ethnic groups, Mandingo, Koromantee, Ibos, Whidah/Fon, Congolese, and Malays from Madagascar.<sup>64</sup> In spite of this variety, the Koromantee ( Ashanti/Akan ) and the Ibo cultures had the greatest and most lasting influence on Jamaican society. As an example, Jamaica's current rural population which has maintained the burial practices of the Akan people.

The retention of African customs is largely, is due to the Jamaican style of slavery - the unpaid laborers were compelled to build their housing in the fashion associated with their point of origin; allowed to grow their own foodstuffs on unused estate land; and were"... permitted and even encouraged, to market their surplus at island markets."<sup>65</sup>

Another reason African traditions were retained was the brutality of the slave system that led to the early death of these people and necessitated the need for large infusions of African labor, who brought their native culture - until 1817 when this population was allowed to reproduce itself.<sup>66</sup> An illustration of this brutality is when emancipation occurred in 1838, the population of Jamaican unpaid laborers was 218,000, although more than 850,000 were imported during the previous two hundred years.<sup>67</sup>

However, the African transplanted population clung successfully to the main outlines of their original cultural systems by making constant adjustments within the system in order to survive the traumatic attacks of sociological, political and economic changes that had to be contended with in this new environment.

The descendants of this group now comprise the majority of the Jamaican population. And on the most part, are still striving to extricate themselves from the deprivation they inherited from the colonial plantation-based economy.

" The earliest British colonists were drawn from a vagrant if not criminal class of Scotch and Irish" through the auspices of the prisoner transport system which was previously initiated by Oliver Cromell.<sup>68</sup> Nevertheless they still adhered to the British class system, and brought it with them to Jamaica.<sup>69</sup> This population evolved into a wealthy landholding class, that is now heavily invested in real estate and tourism.

The society also has been influenced by the large importation of indentured Chinese and Indian workers plantation workers during the nineteenth century.

Nevertheless, the current population is predominantly of African descent and its culture is founded upon British traditions with traditional West African cultural undertones.<sup>70</sup>

Racism is not a problem in Jamaica, what is problematic for this society in a subtle way is class and color.

<b>TABLE 1: JAMAICAN OCCUPATIONAL GROUPS BY CLASS</b>	
<b>A. Upper and Upper-Middle Class</b>	<b>0.1%</b>
1. Capitalists ( owners and managers of large and medium businesses )	0.5%
2. Administrative class( in public and private sector)	0.5%
<b>B. Lower-Middle Class</b>	<b>23%</b>
3. Independent property owners and medium-sized capitalists	5.0%
4. Labor aristocracy ( government mid-level personnel, teachers, technicians, white collar, skilled workers )	18.0%
<b>C. Lower Class</b>	<b>76%</b>
5. Self-employed workers or petty capitalists	28.0%
6. Working class (low-wage manual workers)	23.0%
7. Long-term or indefinitely unemployed	25.0%
Total Labor force	100%

Source: Carl Stone: Political Profile of the Caribbean

The traditional middle-class, who were considered as labor aristocracy, model their social institutions after the British.

The service middle-class which began in colonial times with a purely administrative and distributional role, nevertheless laid the foundation for the service class today. <sup>71</sup>

This group favored employment in the civil service - holding professional

positions such as teachers, and government officials that were given a high social status as well as secure employment and lucrative pensions .

This class was traditionally comprised of educated Jamaicans mulattoes, but after the 1960's the darker-skinned Jamaicans entered this class through their educational achievements.

Thus the attitude of the traditional middle-class changed from putting a high value on a lighter skin-color (although this preference still exists) to the valuing of educational accomplishments which inferred an adaptation of British culture.<sup>72</sup> A light-skinned middle-class woman, Mrs. Furneaux, when asked why she didn't like her new darker-skinned neighbors, stated " It's not the color, its the culture"<sup>73</sup>

...the great difference was in the financial status of the parents and your education. And those that had education, the behavior of those was a pattern of life for nearly everybody. Let me say, people would refer to you as white if you were even a Negro, they took the white person and their behavior as a standard.<sup>74</sup>

The inclination toward civil service employment rather than capital accumulation has had an adverse effect on the current economic status of the traditional middle-class as well as on the economic infrastructure currently found in Jamaica.

By viewing the attainment of higher education and a government position rather than the accumulation of property as a means to prestige and power meant that the middle-class focussed its resources on the attainment of

a public office that befitted their education instead of venturing into business. More importantly this also meant that the middle-class had to emulate the higher living standards of whites on a government salary which made it virtually impossible to save for investment in agriculture and trade.<sup>75</sup> After independence in the 1960's, the elites and the middle-class adopted Thorstein Veblen's bane the American style of conspicuous consumption.

Palatial residences, luxurious motorcars, yachts, luxurious offices, and acquisition of all the latest modern consumer goods became the new status definers. The new value system discouraged genuine capitalism, the new value system placed no great emphasis on production or technological achievements.<sup>76</sup>

In a economy that is under a structural adjustment program (that is shrinking the state's apparatus and wages as well as devaluating the Jamaican dollar), this customary reliance on government employment, the lack of investment in business, and "keeping up with the Jones" expenditures on imported goods ( including foodstuffs ) are resulting in the impoverishment of the traditional middle-class; as well as exacerbating the government's need for foreign exchange - which is required to pay for the imported consumption goods (including food ) that display a high-class status on top of its obligation to repay the debt in international currency (U.S. dollars).

This psycho-social-based consumption of imported foods and other consumption goods by the traditional middle-class was one of the primary factors that caused the first Manley administration to lose the election to Seaga.

Manley tried to change these consumption patterns through the promotion of local food stuffs an effort which was strongly resisted by the middle-class and the elites. Seaga (his successor)when criticized for using multilateral loans to purchase consumption goods stated " The people deserve a break from shortages of the late 1970's.<sup>77</sup> One Jamaican, Ruth Wade, said her memory of his election was" Everyone was happy that there were Cheerios in the supermarket." However, when I was conducting my research in Jamaica, I noticed that all of the shelves were well stocked with foreign food items because even the middle-class couldn't afford to pay \$180. for a box of Cheerios.

**The elite class**( upper and upper-middle class) is composed of 21 families, that include landholders who are invested in tourism as well as real estate; and a business cartel that operates as agents for multinational companies doing business in Jamaica.<sup>78</sup> These individuals( the business cartel ), through their political lobby, are able to control the distribution of imported goods in Jamaica and thereby constitute an oligopoly, that keeps the prices of goods ( food and other consumption goods) artificially high.This group of business people are risk-adverse thereby are reluctant to invest their profits in new industries. The ethnic background of this class is typically, Jewish and Lebanese. This group's savings are most often held in foreign banks especially during times of political unrest or economic uncertainty.



during times of political unrest or economic uncertainty.

**The Chinese population** is mostly middle-class and is invested in the distribution sector.

These people have kept close ties to their country of origin. An example being the experience of one of my acquaintances, although his father is Chinese and mother is Jamaican of African descent, was sent from Jamaica as a young boy to be raised in China; because the family custom dictated that all males had to be raised in China. So, although this population has been a presence in Jamaica for generations most of their members don't feel allegiance to the country. They think of themselves as Chinese rather than Jamaican.<sup>79</sup> So when unstable conditions occur in the country they migrate. This population imports food from China and Taiwan at low prices to sell in the Jamaican market. Part of the current food crisis can be attributed to the out-migration of many of these shopkeepers during Manley's first administration. The Chinese, who on the most part make up the commercial middle-class, are heavily invested in food distribution - importing food, such as rice, and noodles etc. that are produced in China. It was in this manner that they helped able to keep the prices of food affordable by keeping the market competitive. When a large exodus of this commercial class occurred in the 1970's, a food importer cartel, consisting of 5 major food importers, (controlled by the elites) was able to set food prices high without fear of their

competition.<sup>80</sup> However, there is still a sizeable number of small family-owned, retail shops and dry good businesses owned by this population in Kingston.

**The Indian population** does not have a particular occupational niche in the Jamaican society, they are found in all occupational groups.

**The main body of the population is of African-descent**, and is engaged in subsistence farming; provide labor for the export-oriented industries, such as bananas and sugar production, bauxite related production or work in the free-zone. They also make up the labor force, for small distributive enterprises where they are employed as store clerks; domestics and gardeners for the middle-class and the elites; and they work as lower-management and non-salaried employees for both the private and public sector. This members of this group also comprise the poor and the hard-poor populations in Jamaica.

However, a sizeable proportion of this population are self-employed as higglers - and they are typically female. **The higglers are risk-takers**, they in essence are the **entrepreneurial base of the society**. They seek investments that have easy entry and operate in a laissez-faire mode. During the sixties a small number of people from this group were able to take advantage of opportunities which were related to import substitution and are now the owners of the few major local companies found in Jamaica.<sup>81</sup>

... some of the new voices that made themselves heard over the

seventies and eighties. Among these were the growing bands of international traders, who transformed the internal marketing function of traditional higgler into the complex activities of the Informal commercial importer [ICI]. The ICIs responded to the shortage of consumer goods in the late seventies by earning their own foreign exchange through fruit and vegetable exports, and in turn translating this into imports of scarce goods. Whereas the traditional higgler linked the small farmer to the urban consumer, the modern higgler linked local and foreign manufacturers to consumers. Among the different categories of higglers, ICIs have the largest scale of activity, reinvestment and income, and at the upper levels, compare favourably with some professional and white collar jobs.<sup>82</sup>

Hence, higglers are faring pretty well during the SAP period, according to Anderson and Witter<sup>83</sup>, they are considered the winners in the current economic environment. However, due to the structural adjustment many government workers are entering into this sector.

At the micro-level therefore, individuals were required to make choices about the allocation of their effort, given the compression in their standard of living, their own survival needs and aspirations, and the skills which they brought into the market. The effects of these decisions were reflected in an internal reorganization of the social classes...<sup>84</sup>

Higglers and other self-employed individuals are also changing the face of the middle-class, as a result of the erosion of middle-class salaries and the business acumen of the higglers. A number of higglers are purchasing homes in traditionally middle-class neighborhoods, thus sparking the aforementioned remark from Mrs. Furneaux and the so-called " *browning of the middle-class*".

According to Ms. Wade, higglers have been known to purchase expensive homes in upper middle-class neighborhoods in cash. In addition a

number of the medium-sized businesses in Jamaica have evolved from the efforts of lower-classed entrepreneurs who were willing to invest in areas outside of the traditional business sectors mentioned above.

### **Summary**

Access to resources are dependent upon the position a Jamaican citizen sits in this three-tiered class system. The middle-class and the elites, as we have seen from Mrs. Furneaux's remark, separate themselves from any identification with the lower-classes by adhering to European values. This schism is characterized by the skewed income distribution found in Jamaica. According to the Jamaican Planning Institute, in 1989 seventy percent of the population has below average consumption and thirty has above average consumption. The same source relates, poorest decile of the population's annual per capita consumption amounts to \$1,056. While the same indicator for the wealthiest decile is listed as \$17,892 - a glaring indication of the inadequacy of the formal sector in the servicing of the needs of the majority of Jamaicans.

Accordingly, the lower classes have carved out a life style that utilizes survival strategies that were brought to this country by there ancestors in order to compensate for the deprivations that occur because of their social status. Consequently, the lower classes minimize their contacts with the formal economy. Where they are aware they will be poorly received. And many of the upper classes are devoid of understanding about the informal institutions

employed by the lower classes because of what they represent in terms of culture. According to Jamaican sources, this class is adverse to any homogenization of the classes because of the fear of losing their privileges.

Regardless of the motives, these class relations have maintained a dual culture in Jamaica where different institutions are employed by the residents according to their socially delineated comfort zones. According the lower-classes sustain themselves by utilizing informal economic vehicles. And the upper and middle-classes relying upon the resources of formal instruments to secure their positions. This is not to say there isn't an interaction between the classes or their socio-economic instruments. Proximity, necessity and convenience often define the interrelationship between the classes. Nevertheless, the imposition of structural adjustment policies are muddying the class differences by changing the development themes employed by the state and the varied responses of the citizens to these changes.

### **3.2 Planation Economy**

The original focus of development in Jamaica and the rest of the Caribbean has been the generation of economic growth.

It was anticipated that rapid growth would place the territories in a position to close the gap in real income per head between the Region and the metropolitan countries of the North Atlantic, to create sufficient employment to absorb population increase and enough social and economic equality to ensure political stability.<sup>85</sup>

However, the Jamaican economy hasn't experienced any major structural changes over the past hundred and fifty years that would allow these goals to be accomplished. At its inception as a colonial nation, the economy was developed as a sub-system of the economies of more developed nations.

As previously mentioned, the country originally served as a trading post for the Spanish. When the British gained control over the country the economy was based on the production and exportation of sugar and its by-products - a plantation-based economy. Under both colonial systems a large part of the country's consumption goods were imported as well as the supplies that were used to maintain and enhance this exported-oriented production. Both systems were characterized by the exploitation of labor by foreign investors. In essence the plantation system was an "artificial community based on European capital and African labor."<sup>86</sup>

This legacy still exists with technological modifications, a different set of foreign investors and lower-value added products, and an independent government. A reliance on the export of bauxite and its by-product alumina replaced the sugar as the focal export product thereby continued the cycle of dependence. As Levitt and Best noted, Jamaica and other economies in the region;

...tends to engage in terminal activities of resource extraction at

the one end of the spectrum and distribution and final assembly of imports at the other. Linkages both within and between Caribbean economies remain feeble, and the metropolitan domination persist.<sup>87</sup>

This scenario exists because the reliance on economic models drawn from the experience of industrialized countries, and the fact that foreign businessmen have been induced to implement them.

Foreign businessmen were to be encouraged to organize industrial production, introduce techniques from developed countries, employ comparatively cheap local labor and sell their products either in their own metropolitan markets or in third markets to which they had or could gain access.<sup>88</sup>

As we can see this strategy, which been referred to as "industrialization by invitation", did not greatly alter the basic framework of socio-economic relations that had been implanted during colonialism. The economy is still export-oriented (raw goods and low value-added products) with no backward linkages; has a limited concern for production for domestic market; and is controlled by outside forces of both supply and demand. Goods consumed by the domestic market and inputs needed for production have to be imported in concert with the fact that the prices of the exported products are being set by oligopolies results in the economy being mired in a dependent relationship with more developed economies and their agents. Ryan acknowledged;

In 1965, Jamaica produced 28 percent of the bauxite used in the economies of the world, but the real returns to its economy were limited. The government was in a weak bargaining position vis-a-

vis the North American companies. The aluminum industry has been vertically integrated and oligopolistic from the beginning, there was and is no world market price for bauxite. The negotiated price has always been the basis for an assessment of producer taxes.<sup>89</sup>

Moreover, the incentives offered by the Jamaican government to foreign investors, which included tax concessions, accelerated depreciation, the reduction or elimination of duties, loan guarantees, technical and financial assistance, and tariff protection as well as the provision of expensive social infrastructure, are financed through the rents gained from exports, the taxation of the citizenry ( income tax equals a third of wages) and imports, and most of all through loans from private, bilateral, and multilateral financial sources. All of which has had negative ramifications for Jamaica's current and future economic environment in that this strategy perpetuates the need to export in order to accumulate foreign exchange to repay the debts accumulated to pay for these incentives.

Pampering foreign investors - who either invest their profits in the expansion of their current enterprises (bauxite extraction) or back in their countries of origin - has not helped to expand or diversify industrialization; or spread technological development in the economy but has help to deplete the country's cash reserves and increase its debt:

The growth sectors had virtually no forward or backward linkages, not only did they fail to to stimulate growth in other more labor-intensive sectors, but they were highly import



This development model also holds the government hostage to the investment whims of these foreign investors.

Foreign direct investment has already reduced the freedom of governments to determine their own economic policy. If a government tries to push tax rates up, for example, it is increasingly easy for business to shift production overseas. Equally, if governments fail to invest in roads, education and so on, domestic entrepreneurs are likely to migrate. In short, foreign investment is forcing governments as well as companies, to compete.<sup>91</sup>

This tenuous situation has been exacerbated by the recent events in eastern Europe as well as the nature of the foreign investment.<sup>1</sup>

Nonetheless, an export-oriented strategy was used in Jamaica and through out the Caribbean. This strategic theme was influenced by the development economist, W. Arthur Lewis's concept of a "pull-along mechanism" which tied the economic fate of the Caribbean to economic growth in the developed countries; as well as by his earlier theory of regarding the use of surplus labor (a model which was designed to develop the Jamaican economy) - concepts which were articulated in two essays entitled "Industrial Development in the Caribbean" and published by the Caribbean Commission.

What Mr. Lewis didn't anticipate was that pull-along mechanism works both ways when there is growth in the developed countries the dependent country also grows but when there is negative growth in the developed countries it reverberates throughout the developing country's economy causing

countries it reverberates throughout the developing country's economy causing immiseration.

Currently the three most important industries in Jamaica are the tourist, the free-zone manufacturing and the bauxite industries all of which are dependent on the North American (Alcoa being an American company while most of the tourist trade originates in the U.S.) market which leaves them highly susceptible to the economic cycles of America.

Lewis's expectations that the growth derived from his strategies would lead to the elimination of traditional dependence on developed countries for:

investment, technology, skills and business enterprise, for sheltered export markets and for the overwhelming majority of imported supplies. It was hoped that the economy would attain self-sustaining growth, which would clear the market of all factors offering themselves for employment and yield a dynamic equilibrium between capacity and wants simultaneously.<sup>92</sup>

The intention was that once the initial foreign investments were made local entrepreneurs would be able to recoup savings resulting from these investments and spur the country into self-sustaining growth. In fact the objectives of this strategy as stated by Stephens also included industrialization directed toward import substitution as well as for exports and the achievement of regional economic integration.<sup>93</sup>

However, due to the structural flaws that are inherent in the economic environment in Jamaica these expectations did not pan out in the long-term,

internal constraints such as a risk-adverse elite( which is more inclined to transmit resources abroad) ,a small under-finance entrepreneurial class, a narrow tax base and the population's pattern of consumption (which is focussed on imported goods), have derailed this goal. External factors which have included the increased price of oil and the resulting increased prices of imports; the investment of export profits outside of the country; and the product substitution effect, in which cheaper synthetic inputs have replaced the need for raw exported products - an example being aluminum being replaced by plastics and sugar being replaced by Nutrasweet - which has led to the reduction of demand, have also negated the intended effects of this export-oriented strategy.

The product substitution effect and other factors, such as the growth of the electronics industry, have also led to the advent of the growth of trade between developed countries increasing at a higher rate than the trade between developed countries and developing countries( due to their relatively small markets ).

The brutal truth is that the industrialized world has decreasing need for the countries of the periphery, either as sources of raw materials or as markets or as cheap labor. <sup>94</sup>

Hence, the export-oriented framework of the economy contains a number of self-defeating components that does not allow it to rebound from negative changes in demand, in that as previously mentioned include, a

demand structure which is reliant upon imported rather than domestically produced items; the labor force's skills are customized to the export industries; a reliance on wages rather property accumulation which minimizes the size of national surplus and limits investment opportunities; and the encroachment of land and other resources by foreign investors - an example being the sale of land to Japanese coffee growers - at the bidding of the Jamaican government.

### **3.3 Development Efforts: 1950 to 1976**

Nevertheless, this export-oriented strategy did have some positive short-term effects on the economy during the 1950s-60s when the bulk of foreign investment in bauxite occurred and the global economy was strong.

Local consumer expenditures, domestic production, and import demand were stimulated by the capital investment in construction, wages, and tax payments. From the 1950s to 1970s real GDP growth averaged 5-6% per annum and foreign trade expanded until it accounted for 64% of the GNP. By the seventies bauxite and alumina represented two thirds of the merchandise exports.<sup>95</sup>

The positive effects of this growth did not transcend to all segments of the population if fact it augmented the relative poverty of the rural class. Wages paid to workers in the industrialized sector were much higher than what was received in the agricultural sector where rural workers found

employment the outcome was a two-tiered wage system.<sup>96</sup>

Economic growth may occur simultaneously with increasing material impoverishment of significantly large groups of people in a country's population. Such occurrence is best described as backward underdevelopment.<sup>97</sup>

Moreover , despite the growth in bauxite industry and the complementary growth in tourism, Jamaica's basic trade accounts continued to show a deficit. From 1950 to 1968, imports of goods and services grew to 52 percent of GNP while exports grew to 40 percent. The apparent reason for the growth of this gap was the high import dependence of the growth of these two industries; the deficient returns from bauxite; and the increasing demand for food imports.<sup>98</sup>

This situation was engendered by the neglect of the agricultural sector and its organic relationship with industrial sector, during this period.

For most developing countries, economic progress depends on the movement of workers from the land to productive employment in other occupations. For this process to succeed, not only must complementary factors be available in these other occupations but agricultural output must be made to expand adequately-that is, to meet the needs of the economy as a whole-with relatively

( and perhaps in the longer run, even with absolutely ) fewer workers. And in this respect, agriculture occupies a crucial position: *not only does it constitute the largest productive sector in most developing countries so its performance is a major determinant of overall rates of growth, but it provides the essential flow of food-stuffs and raw material- and by extension, income, savings and foreign exchange-any lag in which soon throws the economy out of balance.*<sup>99</sup>

During the same period, from 1958 to 1970, the government became more cognizant of the need to reduce its import dependence on consumption goods. Following the path advocated by Lewis for self-sustaining growth it initiated an import-substituting industrialization[ISI] policy ,which was financed by increasing the rents charged to the mineral-export enclave and resulted in the manufacturing industry real output tripling.

However, significance of the need to enhance agricultural industry for the domestic market was not lost on Manley's first administration. Therefore, Manley administration in 1972, expanded the ISI efforts with a special emphasis on land reform and agricultural development. His administration also intensified the efforts to increase rents charged to the bauxite industry to finance these changes.

The increased rents led to the cessation of further investments in the mineral industry and the diversification of bauxite supplies which caused a constriction in capital flows. Beginning in 1974,in concert with the resulting contraction of bauxite rents, the economy experienced a number of external shocks which included the oil crisis occurred - with its residual inflationary effects on the prices of imports( energy and other imports);and the lowering of demand due to an international recession.[see Table 2] Another constricting variable entered the mix in the form of the response to the nationalization and redistribution policies which were carried out by the Manley administration.

These policies incited negative economic repercussions, both internally and externally, that manifested in the flight of capital, internal dislocations, and falling receipts from exports and tourism. [ Girvan, 1991, Anderson,1989 Girvan, Bernal and Hughes 1980] It was during this period that the Chinese bourgeois and other middle-class Jamaicans out-migrated.

<b>Table 2: World Bank Index of Real Prices for Commodities</b>			
Commodities	1974	1988	%
non-fuel primary commodities	130	70	-46%
metal and minerals	140	85	-39%

Another important factor in the economy's deterioration was the country's expanding indebtedness which was promulgated by the need to address the fiscal deficits at a time when the economic rents were decreasing. As Girvan noted, the majority of Jamaica's debt to commercial banks was accrued during 1972 to 1976. Thereby, the foreign exchange reserves were depleted resulting from the need to finance the administration's fiscal expansion which was necessitated by its policies of reform and distribution as well as 1976 being an election year.<sup>100</sup>

The major importance of this year, 1976, is that it opened the door for the politically and socially intrusive cycle of structural adjustment conditionalities thereby cementing Jamaica's dependency to external forces. This occurred because the Eurodollars that the government previously had access were no longer available as a result of the international credit crisis,



which resulted from the overexposure of private banks. By March of 1977 the Jamaican government signed its first Stand-by Agreement with the IMF and by December of the same year it had signed on to its first structural adjustment loan program with the World Bank.<sup>101</sup> During this period, the Jamaican dollar was equivalent to \$1.10 US currency and the newly acquired loans had to be repaid in U.S. currency. By March of 1992, the exchange rate was \$30 J for \$1 U.S. due to the devaluation of the Jamaican dollar and the loans still had to be paid in U.S. currency.

Table 3: Financing the Balance of Payments [BOP] Current Account Deficit, 1969 to 1987			
DATE	BOP	PCF*	GEB**
1969 -1972	-426.3	+374.8	N.A.
1973-1976	-848.3	+277.6	+299.7
1977-1980	-430.2	-378.6	+453
1981-1984	-1495.0	+47.2	+1349.8
1985-1987	-445.8	+239.4	+371.7

Source: Girvan/Bank of Jamaica \* private capital flow \*\*government external borrowing

### 3.4 Structural Adjustment Period: 1977 to 1992

*" Wood already touched with fire is not hard to set alight." Akan*

Partly by deliberate design and partly by default, the multilateral institutions have come to exercise a controlling power over the basic economic and financial strategies and even the detailed micro-management of the economies of the countries of the

developing world. They are using this power to enforce, often in the most extreme form, a specific ideological model of economic management.

This not only conflicts with the basic expectation of people that their sovereign Governments have the responsibility for taking fundamental economic and social decisions, but is not necessarily relevant to the needs and capacities of all countries to same the same extent. Under the general rubric of structural adjustment programmes, countries are being obliged to follow the policies of **undifferentiated interest rates, non-protective tariffs, removal subsidies from basic necessities, rigidly defined fiscal parameters and exchange control liberalization**, among many others. failure to follow these policies results in denial, not only of access to the funds of these institutions themselves but increasingly to any form of commercial or even bilateral credit. These policies reflect the current preoccupation of the major industrial countries who also control the multilateral institutions.

[Senator David Coore, Jamaica's Minister of Foreign Affairs and Foreign Trade April 1990]

It is often said that Fund programs attack the most disadvantage segments of the population, but people forget that how the required effort is distributed among the various social groups and among the various public expenditures categories ( arms spending or social outlays, productive investment or current operations, direct or indirect taxes ) is a ***question decided by governments*** ... A question that may be raised in this connection is whether the fund should exert pressure in the determination of government priorities and even make the granting of its assistance contingent on measures that would better protect the most disadvantaged population groups. An international institution such as the fund ***cannot take upon itself the role of dictating social and political objectives to sovereign governments***. [Larosiere, J. managing director of IMF, 1984]<sup>102</sup>

Regardless, of this rhetorical debate the empirical data has shown that IMF Stand-by Agreements and the World Bank structural adjustment programs

have negatively impacted the living standards of the Jamaican population since 1977, without any substantial positive effects on the formal economy. As Kari Levitt has astutely observed,

adjustment has replaced development, finance replaced sensible economics, exports replaced production for domestic use, and crisis management replaced economic and social planning.<sup>103</sup>

In fiscal year 1989/90, Jamaica's guaranteed external debt of 4.03 billion(US). represented 127% of the gross domestic product and debt servicing accounts for over 40% of the government's expenditures. In the same year there was a negative net financial transfer to multilaterals that amounted to \$135 million (US).

The short-term nature of the conditionalities ( they have to be met in two year periods) and the continuing need to borrow from the same sources to service the debt, have neutralized any long-term development plans the government may want to implement and thereby have caused chronic socio-economic problems within the society.

Kari Levitt observed that the structural adjustment program's objectives intentionally run counter to any long-term plans in her estimation these programs have,

... a bias against projects which have a long gestation period and a further bias against investment for the domestic market. Quick returns in hard currency are favored -essentially because the " rules of the game" governing the international monetary system have been transformed from stable exchange rates; low, fixed,

long-term interest rates, and falling commodity prices.<sup>104</sup>

Nonetheless, the government in its desperation to amass foreign exchange( with Jamaican dollar's plummeting in value) has exacerbated the structural defects through it focus on exports, that were earlier indentified such as the reliance on foreign investors(who don't reinvest their profits in the country or bank their profits in Jamaican banks) and low-value added exports, ever-shrinking minimal tax base that are deeply imbedded in the economy.

As previously observed, the export industries,the tourist industry and the recently added manufacturing taking place in the economic free zones, are heavily dependent upon imported inputs to keep them viable therefore making them heavy absorbers of foreign exchange. While at the same time the government is trying to expand these industries in order to generate foreign exchange. The reduction of debt can only occur when export surpluses are reached but as we have seen this ratio will be hard to reach under the current policies. Exacerbating this situation is the high interest rates and since the rate of export growth is lower than the rate of interest more debt is the outcome.

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Over 85% of Jamaica's basic food stuffs are imported which is adding to the government need to accumulate foreign exchange.<sup>106</sup> According to the Jamaican Planning Institute there was a continual decline in the local

production of livestock and domestic foodstock from 1984 to 1988 augmenting the country's need to import food. However, according to the same source, the agricultural sector received 95% of the government's productive sector disbursements in fiscal years 1987/1988 to 1989/1990, and is the largest employer of labor in the economy.<sup>107</sup> Apparently, these resources must be focussed in the banana and sugar industry since as of February 23, 1992 the local newspapers were still harping on the fact that 85% of all basic foods, rice, flour and butter, are imported.

The government's quest for foreign exchange to extract itself from its quagmire of debt is reminiscent of a junkie's need for drugs, the more foreign exchange it accumulates the more it needs. In fact, there was a recent scandal involving the Jamaica's Central Bank that involved an agent of the bank being caught trying to exchange Jamaican dollars for US dollars in the black market in order to meet an impending repayment obligation, the hapless individual was involved in a motor accident with a suitcase full of money.

At this point in time, the government is attempting to implement conditionalities which includes the ordering of the government to peel 750 million dollars from its one billion dollar debt in order to stabilize the exchange rate, the reduction and control of inflation, reduction of public sector deficit to 5% from 2.5% and the compression of credit.<sup>108</sup>

The prescriptive measures exhorted by these conditionalities were

designed using the experiences and characteristics of advanced western societies as basis without any regards to the distinct socio-economic and historic differences found in Jamaica, thus making any fruitful application of these measures/conditionalities tenuous<sup>109</sup>. Among the conditionalities that the country has been forced to absorb in previous years are the sale of government assets, removal of food and energy subsidies, exchange control liberalization, forcing the Central Bank to compete with the private financial sector on equal footing, the privatization of the mass transit system, reduction of private sector's tax burden, the abolition of quantitative restriction and import licensing, progressive lowering of tariffs, and the privatization of the National Commercial Bank.<sup>110</sup>

The design of these conditionalities has caused a great deal of immiseration within the population and have generated the perspective among many Jamaican economists and policy-maker, that they were intended to be exploitative since they effectively transfer the resources from the developing economies to developed economies. The structural adjustment programs, according to the interpretation of Micheal Whittier," are designed to improve international competitiveness by restructuring relative prices and by providing loans to assist with the retooling of machinery for export." Once again we can observe the government's forced neglect of the expansion production for domestic consumption. The IMF as a financial institution has little concern

about the human factor in its equations. It's immediate concern is to improve Jamaica's balance of payment account by clearing its arrears, servicing the debt and replenishing the exchange reserves. The resumption of economic growth is a low priority.<sup>111</sup> While the official World Bank position on this issue is that the SAP is meant to,

...to foster export-led development and to strengthen the operation of market forces with an enhanced role for the private sector.<sup>112</sup>

The principal instrument used to accomplish these institutions' goals is monetary targetting, in order to limit access of the public sector to domestic credit; and devaluation to reduce domestic expenditures on imports and increase the profitability of exports. Demand management measures which are another element of this monetary policy are intended to reduce domestic absorption of credit and imports, with a special emphasis on the reduction of the overall deficit of the public sector.

The results of these measures makes us wonder whose private sector is intended to steer this "export-led development". Since, in reality, most of the implemented conditionalities have rung a death knell for most of the domestic producer/investors who are immersed in producing for export. According to an editorial in the Gleaner published 3/31/91;

The demand for foreign exchange to meet import payments is more than the official system can supply. Consequently producers and importers have to turn to the informal market (with a higher

exchange rate than the inter bank system) to meet their foreign exchange needs. This higher cost translates into higher prices for goods and services. **It is the devaluation effect.**

The domestic producers (industrial and agricultural) are also suffering from "import strangulation" due to their inability to access credit or foreign exchange.

Ray Hadeed, a local businessman, enumerated the hindrances this group suffers in a local Sunday paper. The obstacles he cited included;

The inability to secure raw materials on a timely basis which was causing problems meeting shipment deadlines on a timely basis; increased cost of production; demotivation of labor; lay-off of labour; high cost of borrowing capital [that decreased their ability to compete in the global marketplace] -the cost of borrowing capital was 400% over the cost available to competitors in South East Asia and their utilities cost were 500% higher than these competitors had to pay; the inability to access foreign exchange to pay foreign suppliers or to open letter of credit for the purchase of raw materials. <sup>113</sup>

He ended his commentary by stating that Jamaican small and medium business had to export or die. Under aforementioned economic conditions it appears that even getting "the relative prices right" won't enhance the business conditions for the Jamaican businessman. Under these circumstances, only foreign investors in export businesses, who are based in developed countries that use international currency, could flourish in this environment.

Obviously, its not just the productive sector suffering that in this society. Everyone is affected to varying degrees by the escalating prices which



have been caused by devaluation and the removal of price controls and subsidies. According to the Jamaica Planning Institute(JPI), the main components which were subject to price control, the food and drink index moved from 585.6% [ which was excessively high] in 1984 to 995% in 1988. However, SAP only allows a 2.5% wage increase for 1992 while the 1992 inflation rate is 95.7%.<sup>114</sup>

This has negatively impacted the nutritional status of various groups in the society, such as children 5 years old and under [ while I was conducting my research the newspaper reported that a young child had died from malnutrition]; women of child bearing age; elderly; and to a lesser extent the marginal worker; schoolchildren;urban low-income families; subsistence farmers and laborers<sup>115</sup>. According to the JPI, the under nutrition that these groups were suffering " is less related to food availability than to **purchasing power**. Food stamps are available within this society but the are worth a pittance compared to the cost of food- \$20 a month for a child and \$30 a month for adults<sup>116</sup> in a country where chicken cost twenty-two dollars a pound , a dozen of native oranges are \$20 dollars and a can of infant formula is \$79. Yet prior to the advent of SAP, according to Anderson, the social indicators including caloric intake were favorable.

The down-sizing of the government expenditures has also resulted in the reduction in affordable health care and the deterioration of the public

school system. More than 80% of new jobseeker entering the labor force in 1990 hadn't any education certificate and 18.02% were illiterate.<sup>117</sup>

<sup>118</sup> <b>Table 4: Comparison of Government Expenditures on Social Services: 1979/80 with 1988/89 ( constant 1980 million Jamaican dollars)</b>		
Expenditure	1979/80	1988/89
<b>Health (total)</b>	<b>170.5</b>	<b>166.0</b>
Recurrent	161.2	125.3
Capital	9.3	40.8
% Recurrent	94.5	75.4
<b>Education (total)</b>	<b>325.7</b>	<b>299.1</b>
Recurrent	291.0	241.1
Capital	34.7	58.1
% Recurrent	89.4	80.6
<b>All Social (total)</b>	<b>750.5</b>	<b>619.8</b>

Thereby, the Jamaican society skewed income distribution has been enhanced by these so-called measures. The social organization has been rearranged, there is a new class of poor people who ,according to Zuckerman, are the:

" direct victims of adjustment", this group is composed of retrenched civil servants, laid-off private sector workers[ including former middle-class professionals who are poorer,...

other victims include:

the borderline poor or the vulnerable; low-income vulnerable groups affected by changes in availability and prices of consumption items extreme or structural poor who make up the 10-20% bottom of income distribution and are characterized

by extremely low health and educational levels.<sup>119</sup>

## **1.5 Summary**

As the previous material has indicated, the Jamaican social environment is characterized by a historically-based stratification of the population by class, occupation and income. A situation that is now being challenged and modified by the response of certain segments of the population's response to the economic changes -that have been engendered by the imposition of structural adjustment conditionalities.

The most affected is the traditional mores of the middle-class, that were based on the high valuation of education, lighter skin and bureaucratic position which are now being replaced by the appreciation of business acumen, property accumulation, and the acceptance of darker-skinned members - under the current economic environment.

Those members of the traditional middle-class that have continued to adhere to the old set of values are finding themselves displaced and becoming impoverished, i.e. "new poor", due to the erosion of their real wages which is caused by devaluation of the Jamaican dollar; and the streamlining of the state's apparatus which has uprooted many of their number from their once secure employment.

In this economy the labor force has to either enter the export sector or other areas of commerce, production through self-employment, attach

themselves to foreign-owned enterprises or find their living standards diminished. Thereby, the resources of this class are now shifting from investing education in order to obtain civil service employment to business. The most significant phenomena is the flocking of many of their number into the informal sector. The attraction of the informal sector is based on the fact that entrepreneurs in this sector have been able to earn incomes through higgling which are "comparable to and sometimes exceed the income of many members of the traditional middle-class".<sup>120</sup> As Anderson observed:

Although the explicitly and articulated focus of structural adjustment is economic restructuring the implicit and necessary goal is the transformation of the social structure.<sup>121</sup>

Among other important changes occurring in this society in the entrenchment of the low-income wage earner's poverty, as a result of the skyrocketing cost-of-living and their free-falling real wage. The lowest category of public sector worker weekly net take-home pay in 1992 is between \$220 to \$250; sugar plantation workers earn \$160 a week and the lowest paid domestics earn \$140 weekly. In contrast to these relatively low wages, the weekly cost of feeding a family of four in 1992 is between \$1250. and \$1750.<sup>122</sup> This situation has been exacerbated by the existence of a food cartel that colludes to keep the prices of food excessive. The unemployed are really suffering due to the high cost of living and the limitations of Jamaica's welfare system. Social ills that had previously been controlled, turned around or never

experienced by the society, such as preventable diseases like gastroenteritis and malnutrition; high levels of illiteracy and unemployment; crime and hard drug use are now being reversed or are appearing because of the reduction of the state's role in the provision of social services. These problems are becoming chronic with no end in sight. This negative situation is strongly influenced by the nature of the prescriptive measures imposed by the multilaterals which are forcing the government to redirect its resources from developing better social conditions to the seeking of foreign exchange through the aggressive promotion of foreign owned export industries. The irony is that the initial multilateral loans that were undertaken by the state were to be used to positively address the living standards of the society.

The structural defects of the society which include a high dependency on imported goods and an under-developed domestically-owned production sector are being exacerbated by the impositions of the multilaterals. Another important element in this situation is that the bilateral and private credit sources are now following the steps of the IMF and the World Bank and are requiring their own structural adjustment conditionalities to be met before they dispense any further credit to the economy.<sup>123</sup> Thereby even if the government wanted to enact another style of economic development to it couldn't be financed through international institutions. It is in this manner that the Jamaican economy is being micro-managed by these institutions.

As we have also seen, the state's promotional efforts - which have been based on the provision of costly supply-side incentives - are deteriorating the competitive edge once held by indigenous producers that export; by inflating the prices of imported supplies and energy, by increasing the cost of investment credit through the compression of domestic credit and thereby limiting access to foreign exchange. In other words inflating their cost of doing business in their homeland. One objective of devaluation was to lower the cost of labor. However, this outcome only pans out for foreign-owned businesses who have access to international currency who now have other investment venues opening up in Eastern Europe.

G.Arthur Brown, the Jamaica Central Bank governor, lamented when speaking of devaluation:

The consensus at that time was to lower rates to induce investments, however, no investments were forthcoming.

Yet, devaluation has increased the wage bill of domestic producers who only have Jamaica dollars at their disposal. In March of 1992, the exchange rate was \$25(J) to \$1(US). which allows a foreign investor (most of whom are American, like Alcoa) to pay high wages. In order for domestic producers to keep their skilled workers from migrating to higher paying foreign-owned enterprises or migrating out of the country, they have to increase the wages they pay to their workers.

Therefore these supply-side incentives appear to only benefit foreign investors, who don't reinvest their profits in the expansion or diversification of the domestic economy and are no longer interested in investing in the country.<sup>124</sup>

Under these stringent conditions, only domestic enterprises that are producing or retailing affordable consumption goods for the domestic market are thriving. This scenario is predominately found in the informal sector, where the financial instruments and business practices are conducive to the growth of these business. It is also the sector that is somewhat sheltered from the regulations associated with structural adjustment.<sup>125</sup> Senator Lee observed, in the Daily Gleaner:

Only paadner money is still untouched by the recommendations of international agencies.<sup>126</sup>



## **Chapter IV: THE ROLE OF PAADNERS IN ECONOMIC DEVELOPMENT**

Poverty alleviation is being defined as economic and social strategies that result in higher incomes, lower costs of consumption, and the ability to afford a decent level of education, housing, nutrition and healthcare for the most economically disadvantaged sector. Successful economic development should also lead to similar results.

This chapter looks at how paadners can enhance income, consumption, savings, and investment for lower-income people, observes the current economic interplay between the paadner system and the formal sector, and the potential for extending the scope of the paadner system from an informal to a more formal system at the national level. The advantages and disadvantages of the paadner system is assessed as well as the implications and constraints of formalizing the institution. An analysis of the potential of the state to influence the expenditures, investment patterns of paadner group members and the current efforts of NGO's to use this system as a capital formation vehicle is provided. Finally, its potential contribution to development is considered.

### **4.1 Paadners: As An Accessible Saving & Loan Device**

One of the greatest advantages of the paadner system is that it assists low-income and self-employed Jamaicans in developing money management skills. The most important of these skills is referred to as

" deferred gratification" by Ruth Mcleod.

When you spend most of your day in a structured environment it is not so difficult to transfer the elements of that structure to other aspects of your life. If you are employed in a situation where you know that you will be receiving money at stipulated times for instance, you can afford the luxury of forward planning and develop investment patterns that are based on what the sociologists and psychologists call deferred gratification. If however, you are "hustling"[ a self-employed informal activity (author)] in a far less formally structured situation with erratic flows of income and corresponding erratic flows of expenditures, the discipline that is required to save on a regular basis becomes much more problematic. Bankers within the paadner system recognize this and, for a cut of the savings, will provide an external structure for savers by insisting that regular hands are deposited and providing enforcement measures if they are not. ... The important thing is that someone external to the saver themselves assists them in "managing" their savings on a regular basis.<sup>127</sup>

Ms. Mcleod's insight gives one reason for why paadner members are willing to compensate the banker for her/his services. However, it doesn't completely explain why the middle-class would use this system in that they are employed in the so-called "structured" formal sector - in some cases as managers. But this explanation does give a valid reason for the use of this system by the informal workers, under-employed and low-income individuals. The pervasiveness of the paadner system in this society and the resultant skills that it builds provides a rationale for why Jamaicans have a high propensity to save.

Other specific advantages that this system ( which every user benefits from) has over the use of formal institutions which are somewhat related to Ms. Mcleod's aforementioned observation are as follows.

Paadners provide a level of personalized services that the mythological banker cannot replicate. For example, in the case of a financial crisis, the member has access to the paadner banker's home at all hours of the day.

The process of obtaining a loan is not as intimidating, intrusive, or as humiliating as it is in the formal credit sector for certain categories of applicants.<sup>128</sup> There isn't any red tape to undergo when obtaining a paadner loan. The loans are made with the understanding that they will be paid back based on the word of the borrower and her reputation. Therefore this system operates on the basis of mutual trust rather than the apprehension of penalties.

The fact that literacy is not a requirement to become involved in a paadner group should be seen as a significant motivation. A substantial number of Jamaicans are illiterate (30%) and thereby feel uncomfortable going into formal banks where they have to fill out forms etc..

Bankers are typically from the same class as the participants, which makes them less intimidating. As we have seen class plays a very large role in how services are allocated in Jamaica. Lower classes are often mistreated when trying to access services from formal banks. As Terry Banks explained their experiences when trying to access formal banking services in a recent newspaper article:

...very often small people who bring in money are treated like feed-lot cattle having no alternative but to feed upon whatever fare is offered.<sup>129</sup>

Therefore paadners offer a relief from this type of experience.

The system operates as compulsory savings in that there isn't any access to the funds until the draw is dispensed.

Bankers that count on the income generated from the receipt of customary hands or the loans

engendered from the organizing of paadner groups are motivated to provide efficient service. The formal banks in Jamaica have a reputation for dispensing poor service.

The two hour that you will spend in the bank to lodge, change your cheque or complete other simple transactions on which the banks are making a profit, will convince you that they do not have respect for either money or production time to earn more money, and that they are not yet really ready and geared to deal with the success of overflow money.<sup>130</sup>

The aforementioned description of the lack of efficiency found in the formal banking system was frequently given as a reason why even salaried workers as well as domestics that I interviewed did not like using formal banks in Jamaica. One upper middle-class woman stated she preferred to have limited dealings with the formal banking system. And although a recent participant, she found her dealings within the paadner system more convenient.

In regard to the paadner banker's motivation, they know that there are other paadner groups competing with their operations so they attempt to keep their participants satisfied and thereby maintain their allegiance.

The transactions are somewhat confidential. Paadner groups allow the participants to hide their informal incomes from the government. The state isn't able to evaluate the true income level of the participants and consequently the state isn't able to assess income taxes on earnings gained from informal activities.

The loans are sometimes interest-free. In groups like the round robin model where there aren't any required hands given to bankers. Members who receive their draw during the first half of the cycle are given an interest-free loan, and members who receive the latter draws know that they have access to earlier draws when the groups recycle.

The location of the bankers is convenient( either in the participants' immediate neighborhood or workplace).

The system also allows the inherent entrepreneurial abilities of the disenfranchised segment of the population to be expressed in that the receipts finance the operations of many of the informal enterprises found in Jamaica. And, as discussed earlier, paadners provides a means for low-income Jamaicans to accumulate products ( refrigerators, furniture, stoves, livestock, sewing machines etc.) that increase their standard of living. Without the paadner system a number of low-income individuals wouldn't be able to make these investments and their meager incomes would be directed entirely on consumption.

There are a number of disadvantages associated with this system which can be described as follows.

The participants that are using the system as a savings mechanism lose the interest payments that would have accumulated in a formal bank account. Table #5 assesses the gains and losses experienced by members of the EDT paadner group. We can see even with the banker's hand invested and returned to the participant the last two hands lost money with the person receiving the last draw losing a relatively sizeable sum for a person with a low-income. This table also illustrates the losses and gains experienced by the participants without the return of the invested hand.

In this case the last three draws lose money with the last two draws suffering a substantial loss of income. What is not shown in this table but is rendered in Table #6 is EDT as the banker comes out ahead by \$ 3225.75 in saved interest payments on the first draw (which is an implicit loan). Although in the case of EDT the money is returned to the participants. However, the majority of the paadner systems, where the first draw and a customary hand is given to the banker, do not operate in this fashion.

In this manner it may be considered that the paadner system transfers income from one set of poor people to another set of poor people ( the bankers and the early draws),thus increasing the poverty of one group of people and alleviating the poverty of another. It may also be seen as the cost of a valuable service. However, to the participants this cost is a moot point. They feel that the advantages associated with this system is worth taking these losses.

The potential of default by a participant or banker is another disadvantage. Although this rarely occurs, the absconding of funds by a banker can cause alot of financial hardship for the group's members. As I noted there is a means of legal recourse available to the sufferers but the hiring of legal representation is costly. Therefore if a default occurs members more often than not absorb the losses. When a member defaults the banker has to suffer the loss of her profit. Since the first hand is taken by the banker as insurance, it would have to be reinvested back into the group thereby her customary hands would be absorbed through this process. In that she would havetokeepupher throws to keep the cycle solvent.

Paadners is biased toward people who are able to save a stipulated amount regularly. Thereby this system limits the long-term participation of people who are casually employed (irregularly employed), which is the reality for a significant number of the population.

The inclination by some of its users to spend receipts on imported manufactured goods and on income -generating activities that are service oriented can be construed as a disadvantage to the domestic economy.<sup>131</sup> As we have noted the retailing and purchasing of products produced in foreign countries that are consumer-oriented stunts the growth of domestic production by transferring monies out of the Jamaican economy to the economies of developed nations,

shifts entrepreneurial skills from capital formation and production, and negates the need for investing in the production of these good in the domestic economy. However it could be argued that the developed nations have a comparative advantage in regards to the production of these goods, some of which increase the living standards of purchases and provides an otherwise unattainable high level of income for the sellers who have limited skills and education.

Table 5: EDT's Paadners' Gains / Losses (with invested hand) [ Jamaican dollars/ 40% interest rate]			
Draw order	Interest	Invested Hand	Profit/Loss
Second draw	\$145.20	\$108.38	\$253.68
Third draw	\$53.14	\$108.38	\$59.62
Fourth draw	(\$48.76)	\$108.38	(\$39.10)
Fifth draw	(\$147.48)	\$108.38	(\$39.10)
Sixth draw	(\$265.53)	\$108.38	(\$157.15)

	January	February	March	April	May	June
Draw #1	21000					
Throw	500	500	500	500	500	500
Cumulative throw	500	1000	1500	2000	2500	3000
Loan amount	-20500	-20000	-19500	-19000	-18500	18000
Interest earned/loss	696.43	613.7	662.47	624.66	628.49	0
Cumulative interest	696.43	1310.13	1972.6	2597.26	3225.75	3225.75
Draw #2		3000				
Throw	500	500	500	500	500	500
Cumulative throw	500	1000	1500	2000	2500	3000
Loan amount		-2000	-1500	-1000	-500	0
Interest earned/loss	-16.98	61.36	50.95	32.87	16.98	0
Cumulative interest	-16.98	44.39	95.34	128.21	145.2	145.2
Draw #3			3000			
Throw	500	500	500	500	500	500
Cumulative throw	500	1000	1500	2000	2500	3000
Loan amount			-1500	-1000	-500	0
Interest earned/loss	-16.98	-30.68	50.95	32.87	16.98	0
Cumulative interest	-16.98	-47.66	3.29	36.16	53.14	53.14
Draw #4				3000		
Throw	500	500	500	500	500	500
Cumulative throw	500	1000	1500	2000	2500	3000
Loan Amount				-1000	-500	0
Interest earned/loss	-16.98	-30.68	-50.95	32.87	16.98	0
Cumulative interest	-16.98	-47.66	-98.61	-65.74	-48.76	-48.76
Draw #5					3000	
Throw	500	500	500	500	500	500
Cumulative throw	500	1000	1500	2000	2500	3000
Loan Amount					500	0
Interest earned/loss	-16.98	-30.68	-50.95	-32.87	16.98	0
Cumulative interest	-16.98	-47.66	-98.61	-164.36	-147.38	-147.38
Draw #6						3000
Throw	500	500	500	500	500	500
Cumulative throw	500	1000	1500	2000	2500	3000
Interest earned/loss	-16.98	-30.68	-50.95	-32.87	-16.98	0
Cumulative interest	-16.98	-47.66	-98.61	-164.36	-181.34	-181.34

Table 6: EDT Paadner Group Members' Transactional Costs - 6 Month Cycle



#### 4.2 Paadners: As An Investment Device

There are three basic investment areas associated with the paadner system that affect poverty alleviation - business, land, or durable goods investments.

The first, and it appears the most prevalent usage, is **business investment**. Most of the higgler's distribution enterprises have been initially financed by and are sustained financially through the paadner system.<sup>132</sup>

Katzin observed:

...it was found to be probably the most important single source of capital for petty traders.<sup>133</sup>

The route that many Jamaican women have taken to become higgler's begins by gaining employment as live-in domestics workers. Having minimal living expenses permits these women to save their income in paadners. Paadner receipts are then invested in the purchase of goods which are retailed on Saturdays in the local market.<sup>2</sup> This process continues until a substantial base of inventory and clientele has been developed which allows them to shift from domestic work to pursue higgling full-time. Some of these women have become quite wealthy and act as an inspiration for other poor women.<sup>134</sup> Katzin in her study in 1959 found this strategy in use.<sup>135</sup> Apparently this approach to poverty alleviation by low-income people is equivalent to the use of education by middle-class to ensure their livelihood. Currently, the higgler's with their relatively low over-head have the lowest prices and access to no-interest paadner loans are more able to sustain their operations in the current economic

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<sup>2</sup>. Most often higgler's purchase foodstuffs from local farmers to sell - which helps to sustain the operations of peasant farmers.

environment than many formal retail businesses. This livelihood strategy provides a living wage for these individuals, which allow them (usually women) to access higher levels of housing, education, healthcare, and nutrition for their households.

Men also have used paadner receipts to generate self-employment opportunities ,within both the formal and informal sector, for themselves as we have seen from the example given by the man who has brought taxi cab with his receipts. Some of these jobs engender incomes that are higher than wages received in the formal market by individuals from the lower and often-times middle-classes. Wages which permit these men to provide a higher standard of living for their families.

However, due to the current economic constraints in the country this route out of poverty is being shut down to many low-income men who are finding it hard to save. And low-income women are having to keep their live-in domestic positions longer to save enough to get started in higglering<sup>136</sup>.

Middle-class individuals are now entering the informal sector in droves as the result of the downsizing of the government apparatus.<sup>137</sup> This can be seen in Table 7.

Table 7 : Changes in Employment Status of Workers - 1979 and 1989 <sup>138</sup>		
Employment	1979	1989
Government Employee	137,950	96,975
Self-Employed Worker	281,100	344,975

The erosion of their salaries helps to stimulate those individuals who are still employed to augment their salaries by investing in the informal sector.<sup>139</sup> Consequently, many unemployed and under-employed

middle-class who are entering the informal sector are initiating paadner groups to finance their transition.<sup>140</sup> Those who are so engaged are usually first generation members of the middle-class whose mothers and sometime wives have used the paadner system for a number of years as a coping mechanism to pay for their education and otherwise sustain their households. The first generation middle-class have an advantage over the traditional middle-class( who are becoming the " new poor") due to their awareness of this informal instrument which act as a buffer against poverty. Middle-class business people, from low-income origins, are using paadners to bolster their business operations. The Round Robin model is an example of this phenomena, in which receipts are being used to provide no-interest loans in a context of high interest-rates, invest in inventory, cultivate new patrons, and improve their facilities.

Another means where this system is used to alleviate immiseration is through the **purchase of land**. Land for the rural population acts as a buffer against poverty.

Land and wealth are almost synonymous to the lower-class country man. When he is landless he is poor, with nothing to fall back on in time of need and has no place to go when wage work is done<sup>141</sup>

Through the purchase of land and the building of a home, an individual is able to eliminate the necessity of paying rent, able to grow their own food and thereby maintain a modicum of self-sufficiency.

Once again through influence of devaluation the cost of land is becoming more prohibitive to the popular society in Jamaica. Therefore, because of income constraints people have to save larger amounts in smaller increments. Accordingly, they have to wait longer periods of time before they are able to attain this goal. Those individuals who have established themselves in long-term paadner groups and higgerling are able to buy into the housing market without having to go the banks. There have been

cases of higgler's paying for new homes in cash.<sup>142</sup>

Another historic use of paadners with poverty alleviation ramifications is the **payment of educational expenses** which has allowed many of the children of low-income population to enter the middle-class through educational attainments which lead to state employment. However, the shrinking of the state is causing many children to shift from a social science academic focus to a business or engineering focus. One such case, involves a woman I interviewed who was sending her daughter to a U.S. college through the use of paadners. She ( woman A) belongs to a Jamaican group in New York although she resides in Jamaica. The banker (woman B)in New York has children that live in Jamaica. Woman A gives money to the children of woman B in Jamaica which was equivalent to the throw that is required in New York. Woman B contributes woman A's throw to the pool and sends woman A's draw to her child that is attending college in New York to pay for her books and other expenses. The daughter is studying engineering. Apparently, this case of financing an education through an international paadner relationship isn't common in the society,as most people invest their receipts in private schools in Jamaica. The woman in the example used her paadner receipts to finance both of her children's education in Jamaican private secondary schools and her son's university education in Jamaica.

The paadner system throughout its history has been used to benefit individual users and their families. Currently there has been an interest in tapping the resources of these groups to benefit larger segments of the low-income population. Consequently, formal organizations are beginning to use the paadner system to further the social service goals of their agencies.

Selena Tapper, the director of CUSO's ( Canadian United Students Organization) Jamaican office, has investigated the possibility of using these groups to finance whole-scale housing development

for low-income women. She describes her interest as developing a means of "integrating cultural norms into" the formal financial sector in order to develop housing ownership and maintenance opportunities for low-income women in Jamaica as a way to minimize their living expenses. Ms. Tapper has been exploring the partner cash flow device and the possibility of tapping these resources on a national level. She envisions incorporating the 47 women social groups in Jamaica, into one large paadner group and developing an institution to operate as a banker. The banker in this scheme would apply a percentage of the savings to the development of housing development. This scheme is still in the planning stage. Ms. Jennifer Jones, a consultant employed by CUSO, is researching the possibility of implementing this scheme.

This scheme is reminiscent of the paadner group established by EDT which was profiled in Chapter 1. This scheme obviously has its benefits regarding the minimization of poverty for the clients of the agency. It will make the client participants more invested in keeping their businesses productive, in order to meet their obligations to the group. Thus, in the long-term would have a positive effect on the income and living standards of the groups members. Membership in this group also keeps the EDT facilitators more invested in the ensurance that these clients businesses remain solvent and grow. If the clients' businesses flourish the clients are able to keep the paadner group going by adhering to the throw schedule, thereby guaranteeing the EDT employees' draw.

The Madden model appears to be customized to the needs of the clients (peasant farmers) without having to investing the real resources of her organization to any large extent [ the EDT model utilizes the services of an in-house banker,a lawyer and an accountant] . But it does help to provide a stable livelihood for its participants.

The third usage of paadner receipts is the **purchasing of durable goods**. Arguably, this usage can be construed as a means of poverty alleviation by improving the standard of life for the purchaser. These expenditures also enable the retail sector to stay solvent and keep its employees working.

In reality, all three applications of paadner receipts help the industrial and the employment sectors found in Jamaica. However, they also stimulate employment in developed economies through their purchases of imported goods. Nevertheless, these expenditures keep Jamaicans working. Land purchases help the construction industry. School investments keep private schools solvent and teachers employed. Thus, through their linkages to the formal economy, the circulation of the cash flow related to these groups' expenditures and investments results in the bolstering of the employment level found in Jamaica, the betterment of the standard of living for low-income people and the creation of income-generation opportunities for its users. Hence, paadner operations have a direct influence on poverty alleviation in Jamaica.

#### **4.3 Paadners and the Formal Sector**

We have seen that paadners can be an instrument for savings and investment. We now ask can this informal sector financial institution be used by the government to systematically promote domestic savings, investment and production. To address this question we look at the relationship of the informal and formal sectors, and the potential obstacles to using paadners to strengthen the formal sector and promote development in the face of structural adjustment policies.

The formal and informal sectors represent two separate economic elements in the Jamaican economic framework. The major factor that distinguishes the formal sector from the informal sector is the adherence and protection of rules.

A Jamaican economist, Patricia Anderson argues in her labor segmentation theory that the difference is based on:

... the degree of product regulation which is embodied in a good or service that is produced, resulting in a variable or standardized output.<sup>143</sup>

Haan views this distinction in even more generic terms (which are relevant to the operation of the paadner institution:

As a general proposition, economic agents are regarded as members of the "formal" sector of any economy when their actions adhere to, or are protected by, the established institutional rules of the game. Conversely, when their actions fail to adhere to the established rules or are denied their protection, the agents are regarded as members of the "informal" sector of the economy. Adherence to the established rules constitutes participation in the formal or above-ground economy, whereas noncompliance or circumvention of the established rules or exclusion from the protection of those rules, constitutes participation in an informal or underground economy. Since there are a variety of institutions (different sets of rules covering a wide spectrum of economic behaviors), there are also a variety of informal sectors. The characteristics of each distinct informal economy are determined by the particular set of institutional rules that its members circumvent.<sup>144</sup>

Paadners as we have seen is an informal financial instrument employed by a cross-section of income groups in Jamaica as an accessible savings and investment instrument and for some a means to circumvent the government's ability to access their true incomes.

Traditionally, the economic roles in Jamaica are stratified according to class status. In concert with this rationale, due to the distinct norms of the various social classes the use of paadners appears to be favored by individuals with lower-class backgrounds, who feel disregarded by the formal sector.

However, through the commercial utilization of paadners a change is occurring within this class structure. Large numbers of individuals from the lower-class groups have entered the middle-class via

education and business savvy investing their receipts from paadner associations to finance this transition. Hence, the use of paadners has spread throughout the income groups and the social classes through this process of upward mobility.

Nevertheless, the main users of paadners are higgler and other self-employed individuals who use this instrument as a part of their business repertoire.

The informal and formal sectors are economically interwoven. We have already noted that some of the paadner members interact to a limited extent with the formal financial system by using the banks as a means to transmit remittances from abroad, to hold receipts, and as a lending agent to finance the purchase of homes and cars (members use their paadner savings for the required downpayments). However, as a result of the credit criteria used by the formal system, the lending services of the formal banking system is only opened to paadner members who are gainfully employed in the formal sector.

Paadner receipts are invested in purchase of durable goods, business inventories, airline tickets, homes, cars and educational expenses.

Many of the participants are employed in the formal sector and invest their wages in paadners. We have seen examples of interrelationship in the formal employment environment with office paadner groups being a permanent feature in this setting.

As Leguerre observed:

The imbrication of the informal sector into the formal economy is here very much marked. For one thing it is the salary earned in the formal sector that is used to buy goods and services in the informal sector. We speak not of a parallel economy, but of one that is very much integrated in the formal economy.<sup>145</sup>

Conversely, paadners receipts when used for business investment purposes also creates jobs



both in formal and in the informal sectors. The wages generated from this employment are spent in both sectors. Returns from paadners are also invested in commercial supplies that are purchased through the formal sector.

The imbrication referred to by Leguerre, infers that both the contraction as well as the growth of the formal economy have repercussions in the way these groups operate. During 1992, when the compression of credit is the rule and the interest rates are 55% - based on anecdotal evidence since hard data isn't available - the use of these groups have proliferated in the business sector.<sup>146</sup> At the same time, the devaluation of the dollar has led to the contraction in the purchasing power of the population, which has resulted in less participation in the groups by low-wage eamers and casual workers.

The question that the Jamaican state has to answer is can the informal sector be use to change the larger economy through the development of relevant national policies.

The process of economic development is highly dependent upon the availability of financial resources. There are typically three sources of financial resources available to governments - public savings, private and corporate savings, and foreign savings. Jamaica like so many other developing nations has a narrow tax base, the rents it receives from foreign investments have been compromised by the incentives that were offered to attract this investment, and the savings of these venture are transmitted to foreign accounts. In concert with these constraints the elites in Jamaica also use foreign bank accounts and the working class are burdened with taxes, inflation, and for a number of reasons( which were previously cited ) avoid saving in the formal banking system.

Therefore, the state in Jamaica over the last twelve years has been heavily reliant upon the financial and technical resources of foreign institutions. These finances have been deployed toward the

interests of foreign agencies at the expense of the Jamaican people and the domestic production sector.

Currently the Jamaican formal economy acts as an appendage to the economies of developed nations.

As Levitt and Best acknowledged Jamaica and the rest of the Caribbean:

... does not import in order to complement domestic supply. Nor does it actively seek to exploit the comparative advantage of its national economy. Its trade is therefore ancillary to the production of supplies required in the metropole.<sup>147</sup>

Consequently, production for domestic consumption has been neutralized and the debt which was incurred to spur development has reversed any progress that it may have initially engendered and jeopardized any future progressive economic development in the country.

For the most part, the informal market has evolved to fill the gaps left by the formal sector. Paadners have acted as an important agent to finance a number of the enterprises that have been engendered to fill these gaps. However, the state has been left outside of these initiatives. As Levitt and Best acknowledge:

Historical evidence strongly suggests that indigenous initiative is the key to the internal dynamic of development.<sup>148</sup>

In spite of these developments the scale of these grassroots developments and their resultant cash flow are relatively small compared to the amount of economic activity engendered by the formal sector.<sup>149</sup>

The challenge to the state is how to create an environment where the informal sector increases its scope of activity through the generation of more productive activity which is directed toward the domestic market. The influencing of the expenditures of paadner groups could play a key role in accomplishing this goal. The channeling of this system's resources from consumption-oriented

expenditures and service-oriented investments to capital formation and production for domestic consumption or export should be the aim of the Jamaican state.

The tricky aspect of this effort would be the formulation of policies, institutions and other mechanisms which would permit this goal to be met.

Some of the potential advantages that the state and the economy would accrue from shifting the investment areas of parastatal groups are a greater degree of autonomy from external economic forces through the reduction of the demand for consumer goods - which would reduce its need for foreign exchange and lower its exchange rate; stimulate more employment opportunities ; lower the prices of consumption goods and thereby assist in the alleviation of poverty. In the long-run this process would reduce the government's reliance on foreign investment and thereby bolster the state's ability to manage its own economy without the interference of foreign interests.

Thereby, an important outcome for this type of state effort is that the negative ramifications of SAP could be marginalized. Chapter 2 gave an overview of the economic constraints that the state in Jamaica is operating under, the ramifications of these constraints in the private sector and the rest of the domestic economy. One of the more negative reverberations of SAP that needs to more fully addressed is the effect of devaluation on savings.

With deregulation of the savings rate the return to savers has moved downward so that the inflation rate has widened, giving the savers a negative return. In this situation savers will be encouraged to shift funds out of financial assets, which could have serious implications for growth in capital investment.<sup>150</sup>

In contrast, the parastatal groups' volume of transactions have increased and the informal market has ballooned (because of the number of new segments of the population that this sector now has to

service),<sup>151</sup> thus making the informal financial sector more solvent than the formal financial sector. This condition was epitomized by the Central Bank being caught going into the informal sector to buy foreign exchange.

Paadner groups in essence provide a safety net for the formal sector through the investments of its participants which helps the government to maintain its power due to the income-generating activities (and the resulting employment opportunities) that its receipts finance. However, these investments are more often than not spent on goods that are imported, which results in the need for foreign exchange. As we have previously observed a large percentage of the jobs that are created are related to distributional services rather than domestic production. Steering these moneys into investment in support of domestic production should be considered as part of government policy.

So the advantages of the government being able to tap the resources of these groups is self-evident.

Another advantage is related to the fact that:

the productivity of capital may be higher in the informal sector. The reason is the dramatic reduction of overhead costs vis-avis the bureaucratic structure of large-scale organizations and resultant concentration of most capital in directly productive investment.<sup>152</sup>

An example of this observation is portrayed in the operation of the Madden model paadner group ( see Chapter 1). Although their operation is facilitated by Mrs. Madden, this cooperative group which is motivated by profits has made efficient use of its paadner resources in a productive activity. If this model could be replicated on a larger scale it could make sizeable in-roads in lowering the cost of food through the increased production of food for the domestic market, and thereby alleviate poverty and reduce the

government's need for foreign exchange which is spent on food imports.

The advantages that the paadner members would receive would include a new level of social respectability and a higher level of return on their investments overtime. Consequently, methods would have to be developed which would allow state goals to be met without implementing formalizing policies which would negate the efficiency of this system.

As Katzin observed:

Governments might attempt to obtain capital through enlisting the voluntary savings of the population if such a policy appeared to have an opportunity of succeeding.<sup>153</sup>

#### Suggested Approach

In chapter 1 we learned that a major impetus to use this system was the lack of government legislation associated with the administration of paadners. The fear of taxation is a realistic apprehension in a country where at least one third of your earnings can be absorbed by taxes.

However there is a tacit acceptance of this institution by the state which is illustrated by the willingness of the state's apparatus to prosecute an individual who absconds with paadner receipts. This phenomena is explained by Castells and Portes:

Informalization is not a social process always developing outside of the state, it is instead the expression of a new form of control characterized by the disenfranchisement of a large sector of the working class, often with the acquiescence of the state. For the latter, the loss of formal control over the activities is compensated by the short-term potential for legitimation and the renewed growth that it offers.<sup>154</sup>

Thereby currently the state's lack of intervention works for both parties. The government reaps the benefits of taxing the businesses that paadner expenditures keep afloat. While the paadner participants benefit through the circumvention of imposed government taxes.

Accordingly, any economic relationship between this system and the government would have to be as beneficial. The one means that the government has to influence the expenditures of the participants in paadners is by creating an enabling environment for the industries whose development it wants to target. As we previously noted a significant number of paadner participants seek to invest their funds in income-generating activities in the informal market. One possible activity, which could be targeted, could be agricultural production for domestic consumption.

This can be done through the provision of incentives, exoneration of taxes on paadner resources, tax holidays for productive investment, technical assistance, along with other policy instruments at the state's disposal. The experiences of the import substitution period of 1960's and 1970's offer a positive example of how this strategy could be implemented. Agricultural development which is geared toward the domestic market would be a natural choice, since higglers have historically marketed agricultural goods and the nature of this industry could accommodate the business practices found in the informal sector. The International Labour Office Report on Kenya (ILO) characterizes the informal market as being defined by:

... its ease of entry, reliance on indigenous resources, family ownership of enterprises, small-scale of operations, labor intensive and adaptive technology, skills acquired outside of the formal school system and unregulated and competitive markets.<sup>155</sup>

These characteristics are also exhibited in Jamaica's informal sector. Agricultural domestic production and distribution incentives (land reform, transportation, and technical assistance for examples) which are geared to the size of most informal enterprises is conducive to the maintenance of these stated characteristics, which allow the participants to make a decent profit and thereby maintain their autonomy from undue regulation.

## Obstacles

However, any direct intervention into the operations of these groups would force these associations further underground and thereby would thwart the state's development objectives.

There are other two powerful obstacles that would constrain the government from having a direct influence of the savings represented by the paadner groups. These identified obstacles consist of the awkward relationship between the state and the informal sector and the covert nature of the groups.

Orlando Patterson acknowledged the awkward relationship between the state and the informal sector, when describing his experience with the state's attempt to implement Manley's reformist platform in the 1970's. He identified the major problem as being the mismatch of interests.

Poverty alleviation is hindered by problems which can be summarized as a profound sociocultural mismatch and conflict of interests between the needy and those that attempt to help them. The mismatch is acute where public-sector personnel are the change agents...<sup>156</sup>

This mismatch has its roots in the fact that the state's bureaucracy is the domain of the middle-class. A social class that we have already noted has an adverse perception of the culture which is exhibited by the lower-classes. With the state's apparatus in the hands of this class the formulation and implementation of policies that would utilize an informal process would more than likely seek to formalize this institution and thereby negate its effectiveness.

This situation is articulated by Rueschemeyer and Evans:

The interrelations between the various parts of the state apparatus, on one hand and the most powerful classes or class fraction will determine the overall pact of domination.<sup>157</sup>

The second obstacle that the state would face when trying to enlist the receipts of paadner

groups to finance capital formation is their covert nature. Therefore it would be difficult for the state to assess its permeation level and its resources. This situation is exacerbated by the lack of government resources.

As we have seen, government is under an externally imposed adjustment program that seeks to restrict its governing powers by redirecting its energy toward the interests of the international financial institutions. These institutions validate these prescriptive measures by referring to neo-classical principles in which a limited state role is supposed to be synonymous with a healthy economy. Thus, the state is considered as an exogenous force and its internal functions are not conducive to an economic analysis according to neo-classical theory. Accordingly the measurement of the activity of an informal institution would be prohibitive under these tenets. Therefore the government expenditures have been reduced and their range of social and economic governance limited.

Thus the observation made by Katzin still holds:

... the government lacks the money and the trained personnel to gather and compile reliable statistics of income and expenditures of all but a small part of the population that participates in the modern sector....<sup>158</sup>

### Future

Nevertheless the paadner groups could play a pivotal role in the development of certain productive sectors if the right strategy could be designed.

This opinion is being substantiated by recent events that are occurring in Jamaica. In order to bring down the exchange rate a local businessman ( John Issa, owner of the Sandals Hotel chain) has begun to sell one million dollars U.S. to a Jamaican bank at a fixed rate on a weekly basis on the condition that this money be loaned out for productive investments to local business people in what is



being referred to as the "SAVE THE DOLLAR FUND". Through the auspices of a local radio station, the local population has been issued a challenge to meet this figure (one million) every week. A wide cross-section of what my source refers to as "little people" are meeting this challenge. Many of these local people who are selling their money to the bank, as observed by the Daily Gleaner, "are having their first transactions with the banking system." This same reporter stated in this article:

Who is telling these people after they have converted their small foreign currency sums to Jamaican dollars that it is alright there and then to save 20 Jamaican dollars weekly, and by that simple stroke put J\$2 million into capital accumulation through savings each week?<sup>159</sup>

Through this exercise of the "little people" (many of whom have never transacted any business with a bank) and the elites cumulatively selling two million U.S. dollars a week to the bank has resulted in a 5 dollar drop in the exchange rate in less than a month.

The aforementioned events are just a small indication of the power and the resources found in the informal financial sector. Substantial percentage of remittances are invested in paadner groups. The system has the potential of positively directing the economic interest of the Jamaica population.

### **3.4 Summary**

Paadners is an institution that provides a means of upward mobility for low-income people and helps to sustain the operation of the domestic economy through its savings and expenditures. Larger numbers of middle-class individuals are relying on this system to assist them financially in making the transition from formal employment to informal employment.

However, the structural adjustment process is negating the effectiveness of this system in regards to its utilization by poor Jamaicans as an upward mobility vehicle. Nevertheless, there is an intimate

relationship between the operation of paadners and the condition of the economy which has resulted in significant social changes that is illustrated by the number of higgler/ICIs and other self-employed people entering the middle-class and in members of traditional middle-class becoming poorer. The system provides an alternative to the poor services offered by the formal banking system by its patrons. Even with its flaws, associated with the implicit costs related to lost banking interest and the customary hands given to the bankers as well as the potential of default, and the absconding of funds, it is still the preferred financial instrument of a large number of Jamaicans. Its potential as a powerful agent to finance large-scale economic development must be fully explored by the Jamaican state and other policy-makers.

## INTERVIEW LIST

1. *Sosthene Adjibodou, Republic of Benin. Member of Group. His brother organizes groups in Benin*
2. *Alicia Taylor, Jamaica. Project manager. Urban Development Corp. Member of the Women's Working Group. Works with low-income women in Jamaica.*
3. *Florette Blackwood, Jamaica. Director of Enterprise Development Corporation.*
4. *Frances Madden, Jamaica. Grace Kennedy & Staff Foundation. Provides technical and financial assistance to the working poor and the hard-core poor in Kingston and its rural districts.*
5. *Selena Tapper, Jamaica. An administrator, with CUSO, a Canadian NGO that assist women working in the free-zone with housing issues.*
6. *Carolyn Sides, Jamaica. Documentary film maker who has some awareness about the groups.*
7. *Mrs. Forrester, Jamaica. A domestic worker, who has belong to paadners for a number of years.*
8. *A cab driver, Jamaica. ( who would prefer to remain nameless) that has been a paadner member since 1979.*
9. *Hillary Hickman, Jamaica. A middle-class professional who has belong to an office group for one year.*
10. *Three librarians, Jamaica. Who prefer to remain nameless that are associated with groups.*
11. *Margaret Newman, Jamaica. A researcher who is writing a dissertation on rural livelihood strategies.*
12. *Jennie Jones, Jamaica. A researcher who has studied these groups in Jamaica for CRDC*
13. *A middle-class professional, Jamaica. A male who is the banker for an all-male group.*
14. *The middle-class male's mother, Jamaica. A former higgler who was a banker for 30 years and her mother and father operated a group for 35 years before her.*

15. *A bar-owner, Jamaica. Who belongs to a group.*
16. *A waiter, Jamaica. A group member.*
17. *Karen Williams, Boston. A transplanted Jamaican who belongs to groups in Boston and in New York along with her mother.*
18. *Michel Leguerre, a professor from Berkeley. Who has researched and written about these groups in the Carribean.*
19. *Pradeep Srivastava, a researcher at Harvard Institute for International Development. Who is an expert on these groups.*
20. *Trevor Nathan, Trinidad. Who has belonged to these groups in the past.*
21. *El Hadji, a Nigerian. Who is member of a Nigerian group in Boston.*
22. *Chief Ousemwege Ebohon, a Nigerian traditional doctor. His mother belongs to groups in Nigeria.*
23. *George Huggins, Trinidadian. political scientist and development specialist*
24. *Merle Wade, Jamaica. Healthcare administrator.*
25. *Brian McFarland, Jamaican. Art professor who is acquainted with paadners.*
25. *Ruth Wade, Jamaican.*

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114.Daily Gleaner 2/13/92, Neville Johnson article entitled Inflation,inflation and more inflation p 18.

115.JPI, 5 year Plan 1990-1995; p 54

116.JPI 5 year plan 1990 -1995 p.54

117.JPI 5 year Plan 1990-1995: p.125

118.Anderson:p.18

119.Anderson: p.5

120.Boyd:p.154

121. Anderson, Social Indicators of Structural Adjustment: p 2

122.ibid Johnson, N. Inflation, inflation and more inflation.

123.Aid agencies are now linking their non-project lending to recipient governments, to policy programmes endorsed by the IMF and the World bank. Remark made by Dr. Boorman, IMF's director of Exchange and Trade at the Chamber of Commerce Annual Award Ceremony in Jamaica as reported by the Daily Gleaner p.7B

124."It was thought the opening of economies would bring greater opportunities including competition for foreign direct investment.... There simply are more hospitable countries now than in the past competing for such investment." Neville Spike [Sunday Gleaner, 2/9/92, p.7B]

125.However, the activities of this sector aren't completely sheltered from the negative impacts in that people who save their money with paadner groups that work in the formal sector have less money to spend due to devaluation. And the cost of doing business for the higglers have also increased due to the same reason.

126.The Daily Gleaner 2/22/92 : p.26

127.Mcleod, R. The Potential for Credit Extension to Poor People as a Shelter Development Strategy : p. 3

128.Sunday Gleaner. 5/10/92 " Can we deal with this success" p. 17

129. Sunday Gleaner 5/10/92

130. Sunday Gleaner 5/10/92 p.17

131. Anderson, P. Informal Sector or Modern Labour Market?, Social and Economic Studies

132. Mrs. Forrester interview

133. Katzin: p.439

134. One woman told us she worked for a black woman for three shillings a week. She was completely untrained and had to be taught every thing. When she had learned, her wage was raised to 5 shillings. She then went to a white lady who paid her 8 shillings and gave her uniforms. She had given it up and taken to higgerling. Massiah, J, Work in the Lives of Caribbean Women. Social & Economic Studies. v 35 no. 2 1986

135. Katzin: p. 439

136. Mrs. Forrester

137. Joseph, L and Gordon, D. The Middle -Class in Jamaica (proposal):p.16

138. STATIN

139. Anderson and Witter:p.68

140. Hillary Hickman interview

141. Davenport, W. Family System of Jamaica:p.450

142. Ruth Wade interview

143. Anderson, Patricia (1987) Informal Sector or Secondary Labour market? Toward a Synthesis:p.153

144. Hann, H. Urban Informal Sector: Information Needs & Methods

145. Legeurre, 1990: p.133

- 146.Ms. Blackwood: interview
- 147.Levitt and Best:p.38
- 148.Levitt and Best: p. 52
- 149.Observations made by George Huggins, a political scientist (Caribbean affairs)
- 150.Daily Gleaner 5/13/91 (editorial)
- 151.
- 152.Castells & Portes: p.30
- 153.Katzin:p.436
- 154.Castells, M. and Portes, A. World Underneath: The Origins, Dynamics and Effects of Informal Economy: p.27
- 155.ILO Report on Kenya(1972): p.
- 156.Patterson, O. 1984 Realities of Intervention in Alienated Cultures: A Jamaican Case Study: p. 131
- 157.Rueschemeyer & Evans. The State and Economic Transformation: p.46
- 158.Katzin:p. 436
- 159.Daily Gleaner. 5/10/92: p.17